



**Central Trust Company**

*Presents*

# **QUARTER FOUR INVESTMENT ROUNDTABLE DISCUSSION**

*With*



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- **Quick Tax Overview**
- **2020 Election** - Potential Political Impact on Trusts, Taxes and Finance
- **COVID-19 & Its Impact on the Economy**
- **Stock Market: Broad, Sector, Region**
- **Gold**
- **Oil**
- **Interest Rates**
- **Jobs Report**
- **How the Average Citizen is Holding Up**
- **Central Trust Company** – Reminder of Who We Are and How We Can Help

## Current Tax Landscape

- SECURE Act
  - Passed in late December 2019
  - Drastically changed the way we plan for IRAs & retirement
- CARES Act & other COVID legislation
  - Enacted in March & April 2020
  - Effective mostly for tax year 2020
- 2020 Year-end & Upcoming Tax Season
  - IRS under-staffed and not fully up-to-speed
  - Mail backlog of 5 million pieces
  - Effect on tax season?
- Potential Stimulus Package?
  - Uncertain political climate



## SECURE Act ("Setting Every Community Up for Retirement Enhancement")

### KEY PROVISIONS:

- "Stretch" IRA provisions severely limited (post-1/1/2020 deaths)
  - New 10-year payout for most beneficiaries of inherited IRAs
    - No "RMD" required until end of 10<sup>th</sup> year after death
    - Easier to administer; gives more flexibility in timing of distributions
  - "Stretch" available for "eligible designated beneficiaries" (EDBs)
    - 5 Categories: Surviving spouses, minor children, disabled beneficiaries, chronically ill beneficiaries, beneficiaries less than 10 years younger
    - Upon death of EDB, new 10-year payout rule kicks in
      - Upon death of non-EDB, successor beneficiary takes over existing 10-year period
    - Spousal rollovers still allowed
    - "See-through trusts" no longer a popular planning tool, unless beneficiary of trust is an EDB (very limited circumstances)
- Action Item >> Review your IRA beneficiary designations!

## SECURE Act ("Setting Every Community Up for Retirement Enhancement")

### KEY PROVISIONS:

- Age limit repealed for making contributions
  - Before: Could not make contributions past age 70 ½ (traditional IRAs)
  - Now: Can make contributions at any age, as long as you have "earned income" (or spouse does!)
  - New anti-abuse rules for coordinating contributions with QCDs
    - QCDs are "qualified charitable distributions" (i.e. IRA donations to charity)
    - Deductible IRA contribution & QCD distribution offset each other
- RMD age increased from age 70 ½ to age 72
  - QCDs can still be made starting at age 70 ½
    - Provides a short window to draw down IRA balance before starting RMDs
- Many other provisions – mostly for employer plans
  - Purpose of SECURE Act is to make retirement savings more accessible to employees & individuals

## Life Expectancy Tables Updated

- President Trump issued Executive Order 13847 (issued 2018)
  - Directed IRS to examine life expectancy tables to align with current mortality data
- IRS published final regulations on November 12, 2020

### RESULT:

- Life expectancy tables updated to reflect longer lives
  - First time in almost 20 years (in 2002)!
  - Results in slightly smaller RMD distributions annually
  - Applies to IRAs, 401(k), annuities, etc.
- Effective 1/1/2022
- “Transition Rule” – one-time “reset” for beneficiaries locked into an existing life expectancy
  - Applies to existing inherited IRAs & retirement accounts (before 2022)
  - Recalculate from date of inheritance



## CARES Act & other COVID legislation

- Massive \$2 trillion stimulus package, plus other packages
- Support for individuals, industries, businesses & states, unemployment benefits, healthcare funding, and more

### KEY PROVISIONS:

- Extended tax deadline to July 15, 2020 (for payments & filing)
- \$1,200 stimulus payments (\$2,400 for married couples)
  - Plus \$500 per child under age 17
  - Stimulus payments are not taxable
  - Reported on 2020 tax returns – “advance payment of 2020 tax credit”
- Waiver of 2020 RMDs
  - Rollover relief provided for rolling over RMDs taken (deadline 8/31)

Planning Pointer >> Consider taking RMD to decrease account size; not taking RMD will make future RMDs larger



## CARES Act & other COVID legislation

### KEY PROVISIONS:

- “Coronavirus-Related Distribution” Relief
  - Distributions up to \$100,000 (per taxpayer) can be taken from IRAs and retirement plans
  - Must have been negatively impacted by COVID – health or financially
  - 10% early withdrawal penalty waived (if under age 59 ½)
  - Taxable income can be spread over 3 years
  - Funds can be repaid to IRA/plan within 3 years
    - Amend tax returns to claim taxes paid on distributions
  - Plan loan relief – up to \$100,000 (depending on employer rules)
  - Available until December 31, 2020





## CARES Act & other COVID legislation

### KEY PROVISIONS:

- Charitable Giving Relief
  - New \$300 “above the line” cash charitable deduction
    - For taxpayers who do not itemize deductions
    - Must be made in cash to a public charity
    - Effective for 2020 – and beyond?
  - 60% AGI limit suspended for 2020
    - Up to 100% of income can be donated in cash in 2020
    - Excess charitable deductions carry forward for up to 5 years
    - Cannot be made to donor-advised fund or “supporting organization”

Planning Pointer >> 2020 is a great year to make BIG donations! Especially given the uncertain fate of the estate exemption...

Planning Pointer >> Harvest capital losses and donate cash

Planning Pointer >> QCDs are not as important in 2020, but still a good choice



## CARES Act & other COVID legislation

### KEY PROVISIONS:

- Expanded unemployment benefits
  - \$600 Federal support on top of state benefits
    - Ended on July 31, 2020
    - Possible extension in next stimulus package?
  - FEMA supplement of \$300 still available through December
    - Varies by state
- Business incentives & tax credits
  - “Paycheck Protection Program” (PPP) loans – forgivable, max \$10 million
  - Employee retention payroll tax credits
  - Paid leave payroll tax credits
  - Net operating loss (NOL) rules expanded to allow 5-year carryback
    - However, IRS is very slow at processing “carryback” amended returns
  - Funding relief for defined benefit plans (i.e. pensions)
    - Can delay 2020 contribution payments until 1/1/2021



## 2020 Year-end and Upcoming Tax Season

- IRS in “mission critical function” status
  - IRS under-staffed and not fully up-to-speed
  - Mail backlog of 5 million pieces
  - IRS has started mailing tax notices again...
    - Notices are being mailed before IRS processes returns, payments, and other correspondence
    - This has created additional work and confusion for taxpayers & their advisors
- Upcoming Tax Season (January through April 2021)
  - Will the IRS be ready?
  - Fortunately, not a lot of new forms required for changes in legislation
    - New Form 1099-NEC for non-employee compensation
      - Removed from Form 1099-MISC



## 2020 Year-end and Upcoming Tax Season

- Potential Stimulus Package?
  - Coronavirus spending talks are “on-again, off-again” since May
  - If agreement is reached, package could be attached to appropriations bill to extend government funding beyond Dec. 11
- Provisions could include:
  - Unemployment assistance
  - Paycheck Protection Program (PPP loans) – Round 2
  - Emergency appropriations for COVID health response
  - Increase to the \$300 “above the line” charitable deduction to \$1,200
    - Would not have much time to make a 2020 donation by 12/31!
  - State & local funding
- Robust COVID response package is anticipated in early 2021
  - Dependent on control of the Senate
  - Either way, will require Congressional cooperation and negotiation



## Year-End Tax Planning

- Tax planning is hard in 2020...
  - Fate of the Senate won't be decided until January 2021
  - Too late for 2020 tax-planning
- Potential increase in tax rates under Biden presidency
  - Accelerate income in 2020, if possible
  - Delay deductions until 2021...maybe.
    - President-elect Biden has proposed a 28% cap on itemized deductions
- Discuss income tax, estate tax, gifting and financial planning opportunities with your team of advisors
  - Review beneficiary designations, gifting plans, etc.
- Consider charitable donations
- Consider (taxable) Roth conversions to take advantage of lower tax rates & reduce future taxable RMDs (at higher tax rates)
- Refinance mortgages & other debt – VERY low rates!



- Market reactions?
  - On November 4<sup>th</sup> 2020, America woke up to an uncertain Presidential election outcome
  - In 2000, during the brief period of election uncertainty, the S&P 500 had a pullback of approximately 10% - so far we've seen a 5.7% gain
  - Despite the uncertainty, we're dealing with a much broader market in 2020 (versus 2000) and the economic trends were more favorable today than 2000
  - Checks and Balances? All one party versus bi-partisan outcome
- Estate tax ramifications?
  - \$11.7M per individual, or \$23.4M for a couple, today – on track to sunset back to \$5M per individual (before inflation adjustments) January of '26 if nothing changes



# THE CENTRAL **DIFFERENCE** | 2020 ELECTION & IMPACT ON TRUSTS, TAXES, & FINANCE

Main elements from Biden campaign platform, with cross-outs over proposals that require Congressional approval

## Corporate taxes

~~Raise corporate rate to 28%; create minimum tax rate of 15% on book income~~

## Personal income taxes

~~Restore top rate to 39.6%; raise capital gains tax to ordinary rate for those earning >\$1mn; wealth tax~~

## Foreign policy

Enlist US allies to challenge China on trade; advocates enforcing existing trade laws while writing new rules that protect workers, the environment and labor standards; possibly rejoin the ~~Trans-Pacific Partnership (TPP)~~ and ~~Joint Comprehensive Plan of Action (JCPOA)~~ -- the Iran nuclear deal; will rejoin Paris Climate Agreement; rejoin World Health Organization (WHO)

## Healthcare

~~Improve Affordable Care Act (ObamaCare) by adding public insurance option; expand eligibility for Medicare and allow program to negotiate drug prices; link domestic to int'l prices~~

## Energy

~~Ban new leases for drilling offshore and on federal land; partially supports Green New Deal; supports carbon tax; wants to end fossil fuel subsidies; targets 100% clean energy by 2050~~

## Tech & Comms

Supports using anti-trust legislation to investigate anti-competitive practices

## Finance

~~Support a financial transactions tax;~~ supports strengthening the Consumer Financial Protection Bureau

## Infrastructure

~~\$1.3trn plan, including green proposals~~

## Immigration

End family separation; protect DACA; create a pathway to citizenship; give more resources to better leadership/training within ICE

## Monetary policy

Re-appoint Powell or name a successor in 2022; appoint other Fed governors (Senate confirmation required)

## Other

~~Raise minimum wage to \$15/hr~~

Source: J.P. Morgan



# THE CENTRAL DIFFERENCE | 2020 ELECTION & IMPACT ON TRUSTS, TAXES, & FINANCE

	Macro indicators							Asset valuations				Market performance over Presidential term			
	US unemployment rate	Growth (ISM PMI level)*	core PCE inflation	Fed funds rate	Federal gov't debt to GDP	Private sector debt to GDP	US as share of global GDP	S&P500 (1Y forward RE)**	Equity risk premium (earnings yield - real 10Y yield)**	US HG Credit spreads (basis points)	USD REER (% deviation from long-term avg)	S&P500, cumulative % change	US 10Y yield, cumulative change in basis points	US HG Credit spreads, cumulative change in basis points	USD trade-wtd, cumulative % change
President (year of election/re-election)															
Nixon (68)	3.4%	55	4.6%	5.9%	33%	73%	42%	22	3.5%	49	21%	8%	80	37	-10%
Nixon (72)	5.6%	64	3.0%	5.1%	28%	75%	39%	22	1.1%	86	12%	-35%	170	1	-6%
Ford (Aug 74)	5.5%	52	8.8%	12.0%	25%	78%	33%	12	7.8%	87	4%	43%	-69	18	3%
Carter (76)	7.7%	53	6.1%	5.0%	29%	75%	32%	15	5.4%	105	4%	24%	504	-9	-17%
Reagan (80)	7.5%	54	9.6%	12.8%	28%	80%	29%	12	5.1%	96	-3%	30%	-72	38	66%
Reagan (84)	7.4%	51	3.8%	10.0%	36%	81%	35%	14	-0.4%	134	19%	68%	-310	-38	-36%
GHW Bush (88)	5.4%	54	4.4%	8.3%	44%	99%	31%	17	1.8%	96	-4%	50%	-186	25	-6%
Clinton (92)	7.3%	50	2.8%	3.1%	52%	99%	27%	15	2.9%	121	-8%	68%	-45	-28	21%
Clinton (96)	5.2%	50	1.9%	5.2%	53%	104%	26%	15	2.0%	93	-7%	103%	-59	107	27%
GW Bush (00)	3.9%	49	1.8%	6.5%	40%	114%	32%	22	0.5%	200	8%	-21%	-173	-93	-9%
GW Bush (04)	5.5%	55	2.1%	1.8%	42%	125%	32%	15	4.7%	107	0%	-14%	-7	436	-3%
Obama (08)	6.5%	43	1.8%	1.0%	46%	142%	26%	11	7.3%	543	-2%	46%	-226	-390	-8%
Obama (12)	7.8%	51	1.9%	0.2%	78%	124%	22%	13	7.9%	153	-5%	51%	14	14	23%
Trump (16)	4.9%	53	1.8%	0.4%	85%	122%	25%	16	5.9%	167	8%	65%	-102	-17	0%
Biden (20)	6.9%	53.40	1.5%	0.1%	115%	136%	24%	22	5.3%	150	6%	TBD	TBD	TBD	TBD
Republican avg	5.1%	53	5.2%	7.7%	42%	94%	32%	17	4%	116	6%	29%	(87)	1	7%
Democratic avg	7.2%	49	3.6%	3.0%	42%	105%	28%	13	5%	256	-2%	46%	78	(142)	-1%

Source: J. P. Morgan

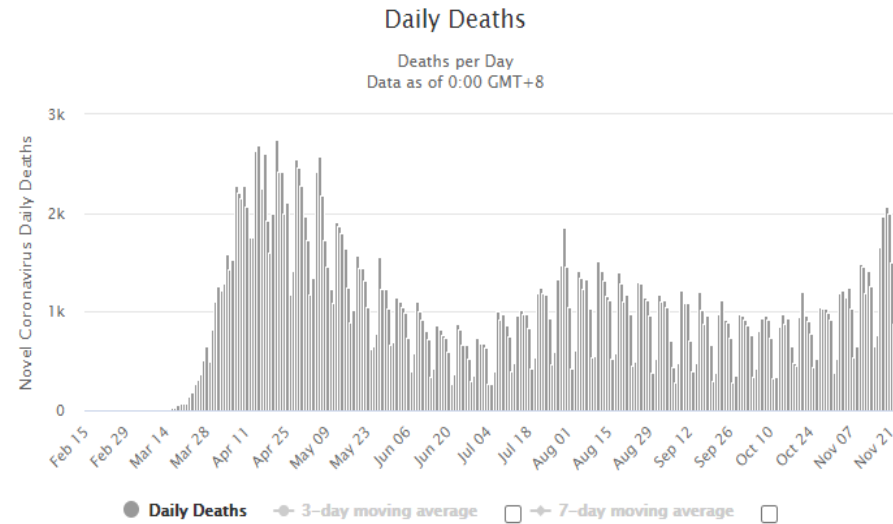
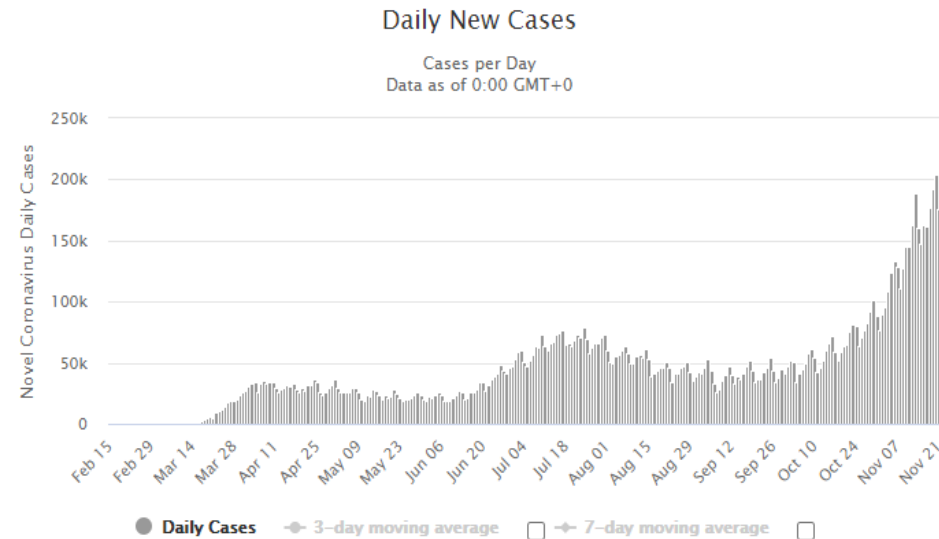


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# THE CENTRAL **DIFFERENCE** | COVID-19 VIRUS DATA AS OF *NOVEMBER 24*



<https://www.worldometers.info/coronavirus/country/us/>

The market experienced some lift around Pfizer and Moderna vaccine testing results – some even say there was a shift from growth to value. There was also renewed focus on small-cap stocks which historically do well in new bull markets (first 2 weeks of November Russell 2000 was up more than 12%) – showing this may be a new growth phase versus a bump off of the bottom.

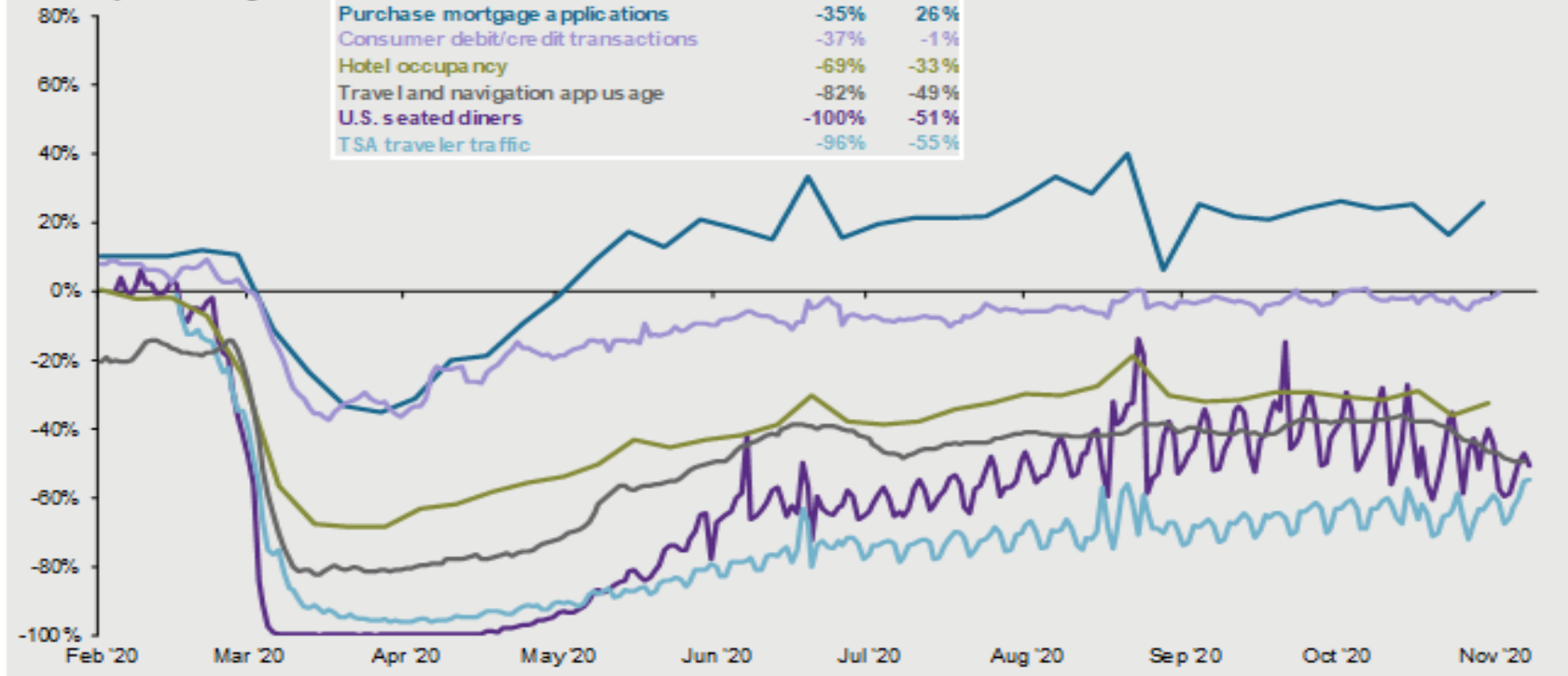
*\*Zacks Investment Management*

# THE CENTRAL DIFFERENCE | IMPACT OF THE VIRUS

## High-frequency data

Year-over-year % change\*

	<u>Min.</u>	<u>Current</u>
Purchase mortgage applications	-35%	26%
Consumer debit/credit transactions	-37%	-1%
Hotel occupancy	-69%	-33%
Travel and navigation app usage	-82%	-49%
U.S. seated diners	-100%	-51%
TSA traveler traffic	-96%	-55%



Source: App Annie, Chase, Mortgage Bankers Association (MBA), OpenTable, STR, Transportation Security Administration (TSA), J.P. Morgan Asset Management. \*App Annie data is compared to 2019 average and includes over 600 travel and navigation apps globally, including Google Maps, Uber, Airbnb and Booking.com. Consumer spending: This report uses rigorous security protocols for selected data sourced from Chase credit and debit card transactions to ensure all information is kept confidential and secure. All selected data is highly aggregated and all unique identifiable information—including names, account numbers, addresses, dates of birth, and Social Security Numbers—is removed from the data before the report's author receives it.

Guide to the Markets – U.S. Data are as of November 23, 2020.

**J.P.Morgan**  
Asset Management



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# THE CENTRAL **DIFFERENCE** | MARKET UPDATE YTD

- The global economy is recovering from a recession in the second quarter of 2020. For 2020, consensus estimates call for U.S. GDP to decline 4.5% and then rebound 3.7% in 2021. Global growth is projected to decline 3.9% in 2020 and gain 5.2% in 2021.
- Tax reform and deregulation drove corporate earnings growth during 2017-2019. S&P 500 earnings were \$133 in 2017, \$161 (+20%) in 2018, and \$164 (+2%) in 2019. For 2020, analysts have significantly lowered estimated earnings to \$132 (FactSet). Wall Street analysts are expecting a sharp rebound in earnings to \$166 for 2021, which we view as overly optimistic. A more realistic earnings estimate is \$150 for 2021.
- The longest U.S. expansion in postwar history lasting 11 years ended due to the COVID-19 pandemic. A new cycle has begun.
- Valuations are at 10-year highs. The stock market capitalization to GDP ratio (a favorite indicator of Warren Buffet) is at a record high.
- The trailing 12-month operating price-earnings ratio is 24 times operating earnings compared to the 50-year average of 14.2 times earnings.
- In terms of investing styles year-to-date, growth outperformed value by a wide margin. Large-cap outperformed mid-cap and small-cap stocks.
- In fixed income, bonds have benefited as government bond yields dropped to all-time record lows. Government bonds outperformed as credit spreads rose from the beginning of 2020. Global bonds gained 6.4%. The yield on the 10-Yr. U.S. Treasury bond dropped sharply to near record lows, ending at 0.71%.



# THE CENTRAL **DIFFERENCE** | DID I BLINK & MISS SOMETHING IN MARCH?



Source: Compustat, FactSet, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management.

Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat.

Forward price to earnings ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

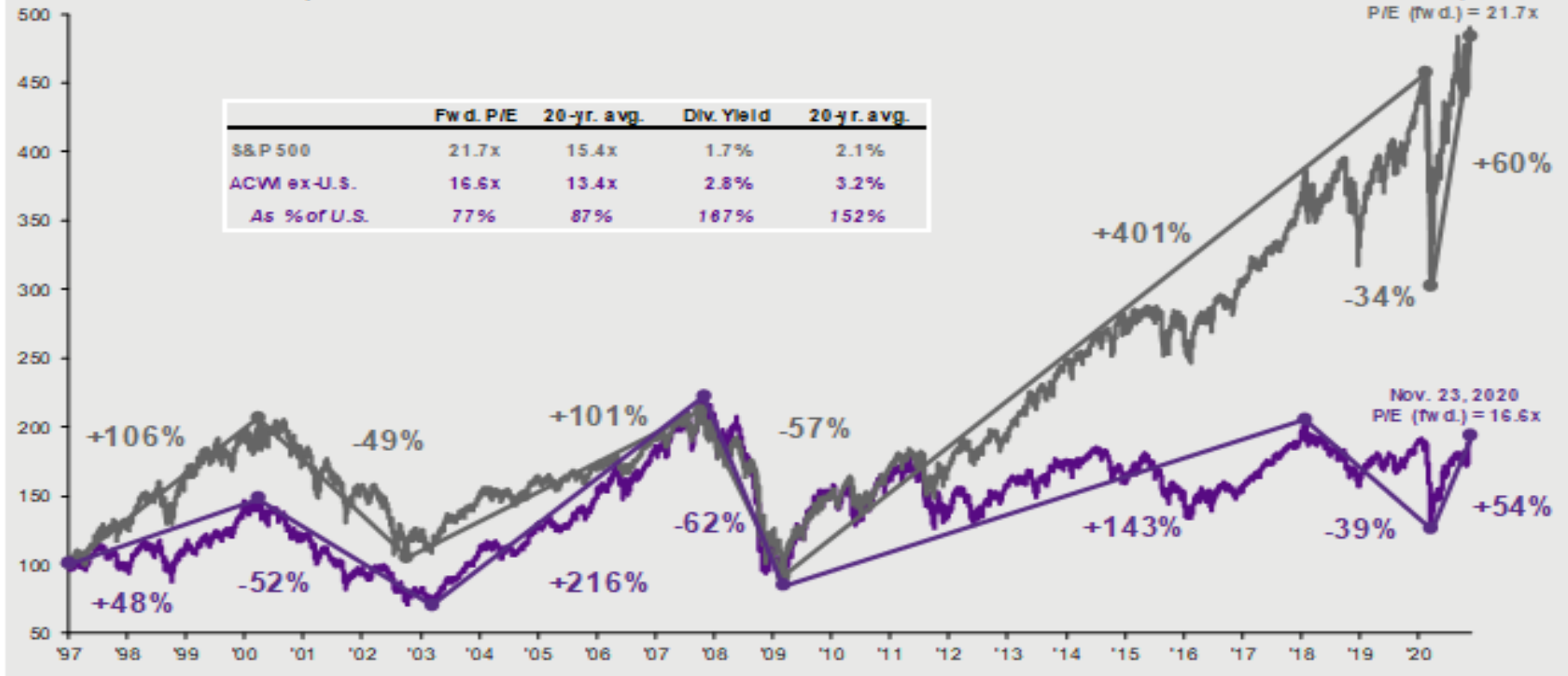
Guide to the Markets – U.S. Data are as of November 23, 2020.

**J.P.Morgan**  
Asset Management

# THE CENTRAL **DIFFERENCE** | SHOULD I INVEST INTERNATIONALLY?

## MSCI All Country World ex-U.S. and S&P 500 Indices

Dec. 1998 = 100, U.S. dollar, price return



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.

Forward price to earnings ratio is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on price movement only, and do not include the reinvestment of dividends. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by FactSet Market Aggregates. Past performance is not a reliable indicator of current and future results.

Guide to the Markets—U.S. Data are as of November 23, 2020.

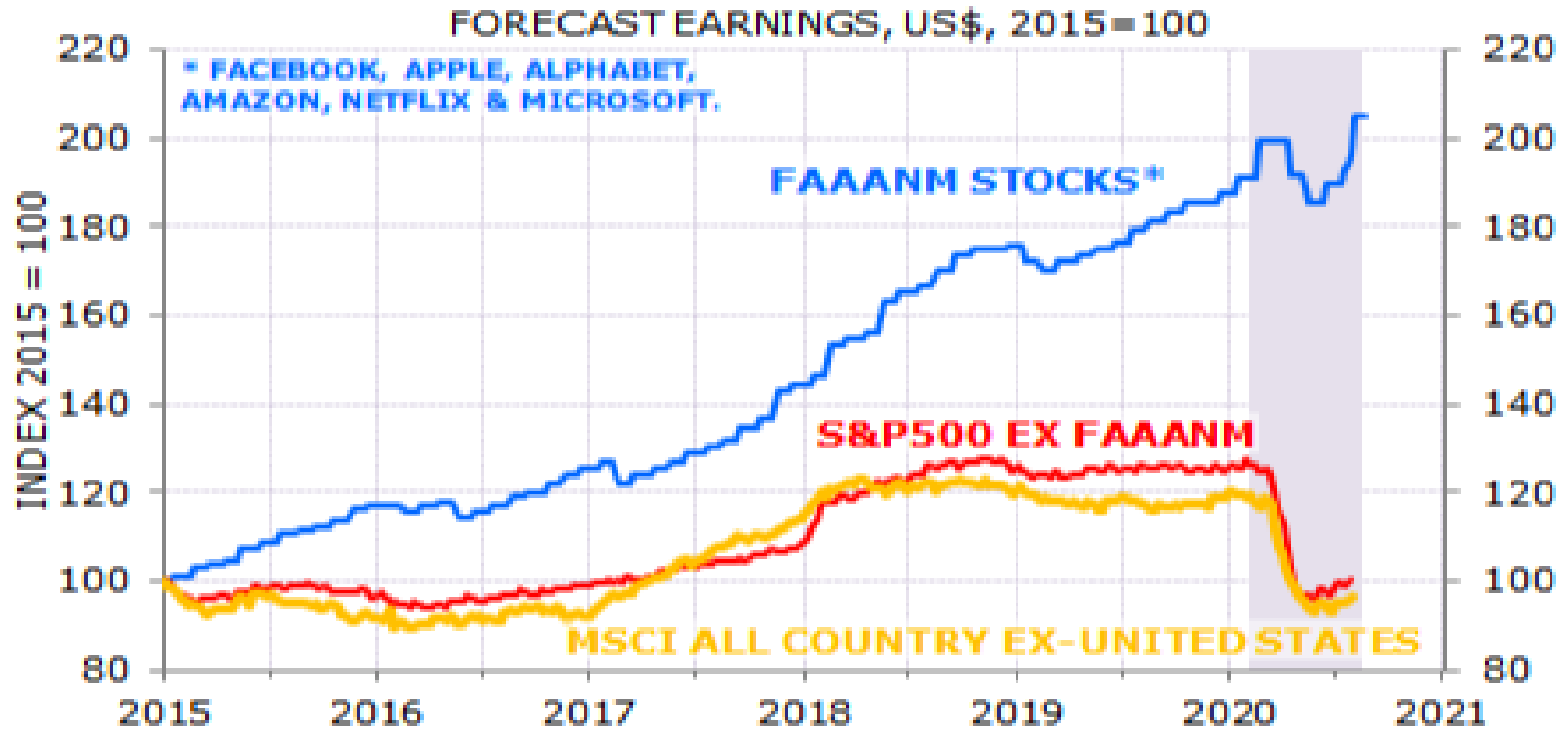
**J.P.Morgan**  
Asset Management



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# THE CENTRAL **DIFFERENCE** | TOP 6 S&P COMPANY'S IMPACT



\*<https://www.eurekareport.com.au/investment-news/how-the-fed-distorts-markets-us-payrolls-gold-wrong-again-the-market-isnt-t/148373>

Of 464 of the S&P 500 that report quarterly results through mid November, almost 85% beat earnings per share targets and over 75% beat revenue estimates.

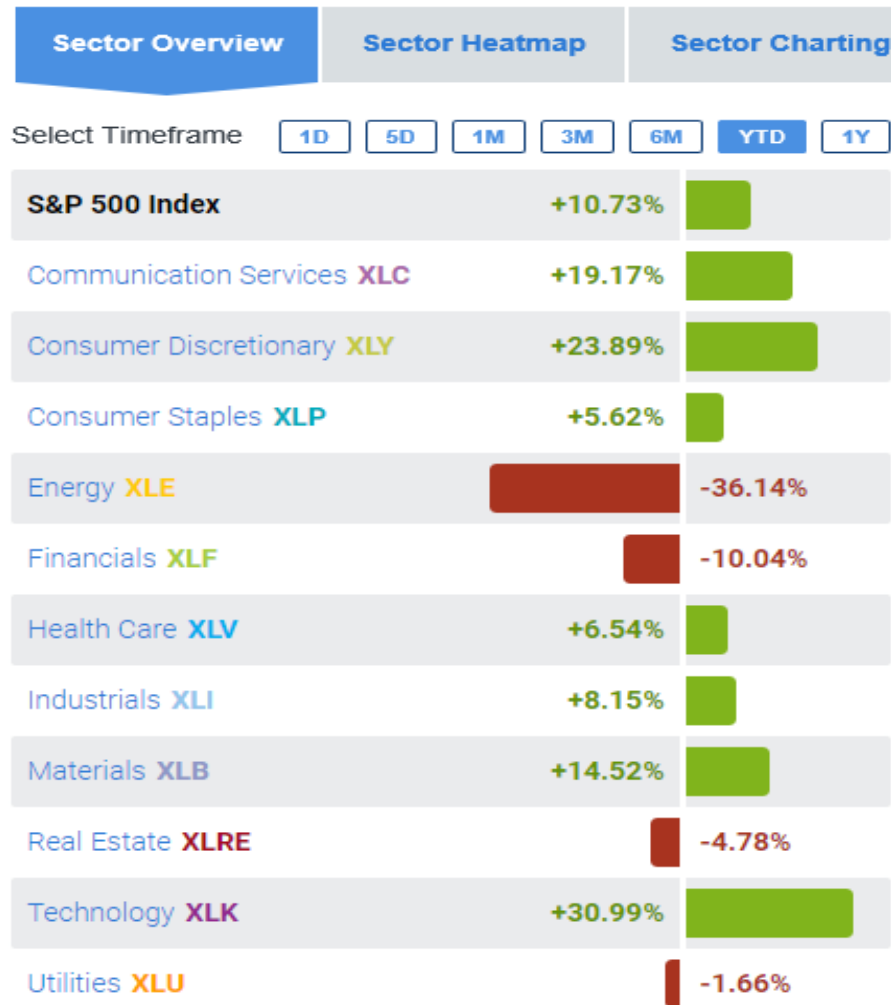
\*Zacks Investment Management



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# THE CENTRAL **DIFFERENCE** | S&P 500'S 11 ECONOMIC SECTORS



## COMPANIES IN SECTOR

FB, GOOGL, CHTR

AMZN, HD, MCD

PG, PEP, KO

CVX, XOM, COP

BRK.B, JPM, BAC

JNJ, UNH, MRK

UNP, HON, UPS

LIN, APD, SHW

AMT, PLD, EQIX

AAPL, MSFT, V

NEE, D, DUK

24 Nov, 2020 <https://www.sectorspdr.com/sectorspdr/tools/sector-tracker>



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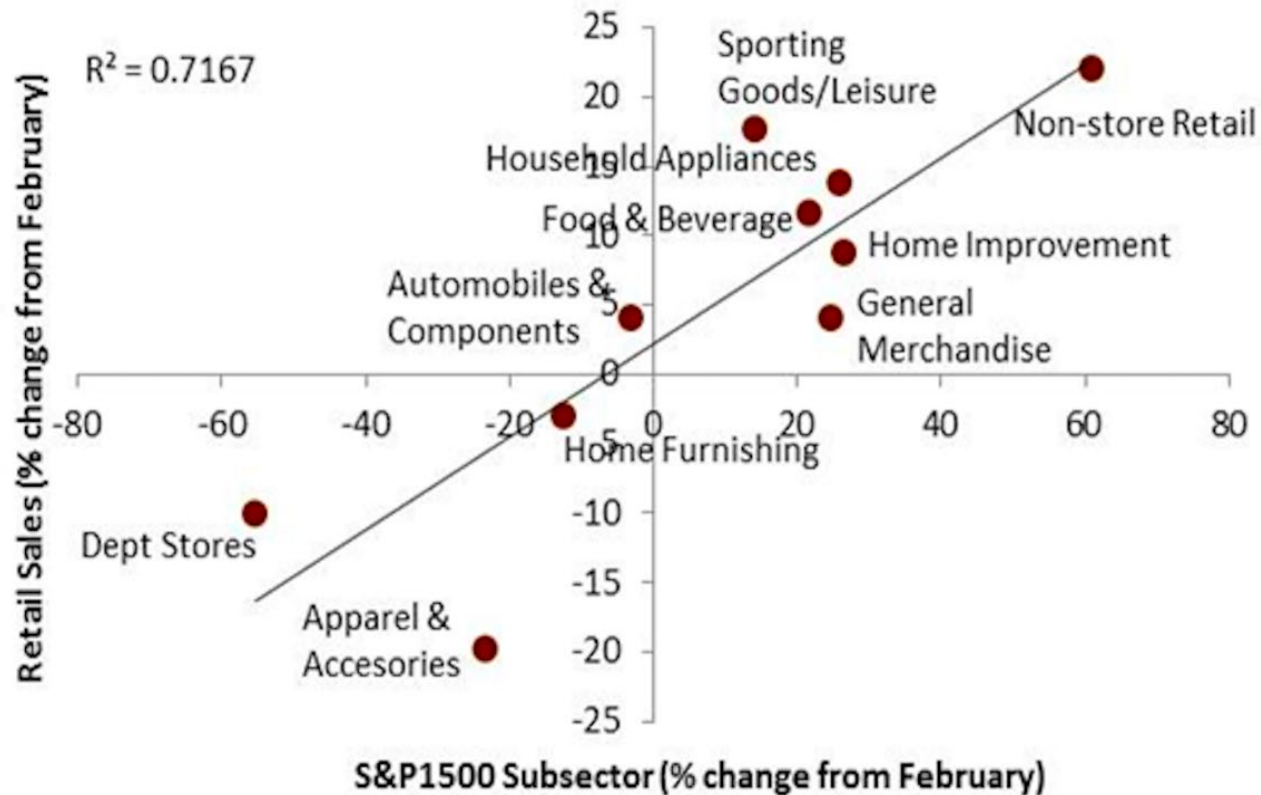
THE CENTRAL **DIFFERENCE** | RETURNS BY SIZE & STYLE, THROUGH JULY 31

Equity Index Scorecard											
Period Ending 11/30/2020											
Month to Date				Last 3 Months							
	Value	Core	Growth		Value	Core	Growth				
Large	13.1%	11.1%	9.6%	Large	7.6%	2.8%	-0.6%		Represents 3 <u>best</u> performing asset classes in time period		
Mid	14.0%	13.8%	13.4%	Mid	12.5%	12.3%	12.0%		Represents 3 <u>middle</u> performing asset classes in time period		
Small	19.3%	18.4%	17.6%	Small	17.8%	16.9%	16.0%		Represents 3 <u>worst</u> performing asset classes in time period		
1-Year Annual Return				3-Year Annualized Return				5-Year Annualized Return			
	Value	Core	Growth		Value	Core	Growth		Value	Core	Growth
Large	0.8%	21.3%	38.0%	Large	5.8%	15.0%	22.2%	Large	8.7%	15.2%	20.3%
Mid	3.4%	14.4%	30.9%	Mid	4.2%	10.3%	18.8%	Mid	8.1%	11.8%	17.0%
Small	0.4%	13.6%	26.0%	Small	0.8%	7.1%	12.8%	Small	6.8%	10.3%	13.2%
Return and value data utilized in this calculation tool comes from sources believed to be reliable but is neither guaranteed nor warranted and is subject to revision without notice. This tool is being provided for analysis purpose only and should not be used to make investment decisions. Tool and data is to be used at your own risk. Indices are unmanaged, and indices returns do not reflect any fees or expenses yet do include dividends. Investors cannot invest directly in an index. Indices are measured by the FTSE Russell Indexes: Large: Russell Top 200 (Value, Index, Growth); Mid: Russell Midcap (Value, Index, Growth); Small: Russell 2000 (Value, Index, Growth). Source: www.ftserussell.com											



# THE CENTRAL **DIFFERENCE** | YES, THE MARKET MAY BE SMARTER THAN US

Sorry, the market is not dumb



Source: Renaissance Macro Research, Haver Analytics



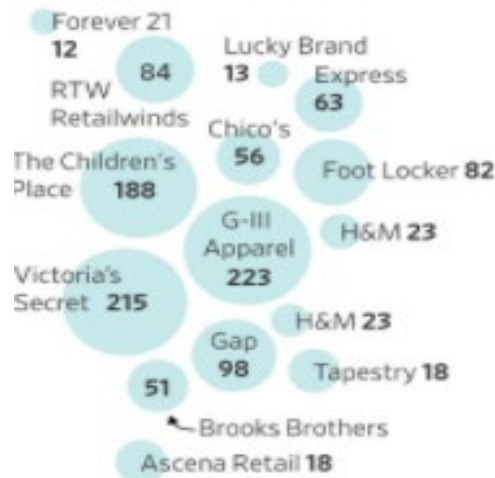
# THE CENTRAL **DIFFERENCE** | A TALE OF TWO ECONOMIES

Cumulative U.S. Announced Store Closures and Openings Through July 2020

OPENINGS		
1144	Apparel	403
31	Discount	1575
989	Health/Beauty	192
1458	Home	157
302	Dept. Store	88
84	Food/Grocery	421
974	Other	60
CLOSINGS		

*\*Data from Forbes*

NET STORE CLOSURES



NET STORE OPENINGS



*\*Data from the Wall Street Journal*

Retail sales with online stores rose more than 3% in October – continuing the trend towards online shopping.

## Holiday shopping trends?

- Online spending hit a record on Cyber Monday of \$10.8B
  - 37% of sales came from mobile devices
  - 25% of the Cyber Monday's total sales happened between the hours of 7-11pm
- Amazon had a 60% increase in sales between the Friday after Thanksgiving and Cyber Monday, over the same time period in 2019 last year
- The Friday after Thanksgiving experienced a 21%+ increase this year to over \$9B in sales
- Foot traffic fell this year by 94%+ on Thanksgiving Day as many stores closed for the holiday

<https://www.zerohedge.com/markets/online-spending-hits-record-cyber-monday>



# THE CENTRAL **DIFFERENCE** | WHAT ABOUT GOLD? IF SO, HOW?

## Gold Dec 20 (GC=F)

COMEX - COMEX Delayed Price. Currency in USD

**1,843.00** +12.80 (+0.70%)

As of 2:33PM EST. Market open.

1D 5D 1M 6M YTD 1Y 5Y Max 



24 Nov, 2020 <https://finance.yahoo.com/quote/GC=F?p=GC=F>



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# THE CENTRAL **DIFFERENCE** | WHY GASOLINE IS CHEAP

## Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

Production	2017	2018	2019	2020*	2021*	Growth since '17
U.S.	15.7	17.9	19.5	18.6	18.7	19.5%
OPEC	36.8	36.8	34.6	30.7	33.5	-9.1%
Russia	11.2	11.4	11.5	10.5	10.8	-4.1%
Global	98.2	100.8	100.6	94.4	98.4	0.2%
Consumption						
U.S.	20.0	20.5	20.5	18.2	19.9	-0.5%
China	13.6	14.0	14.5	14.1	15.1	11.2%
Global	98.8	100.6	101.5	92.9	98.8	0.0%
Inventory Change						
	-0.7	0.2	-0.9	1.5	-0.4	

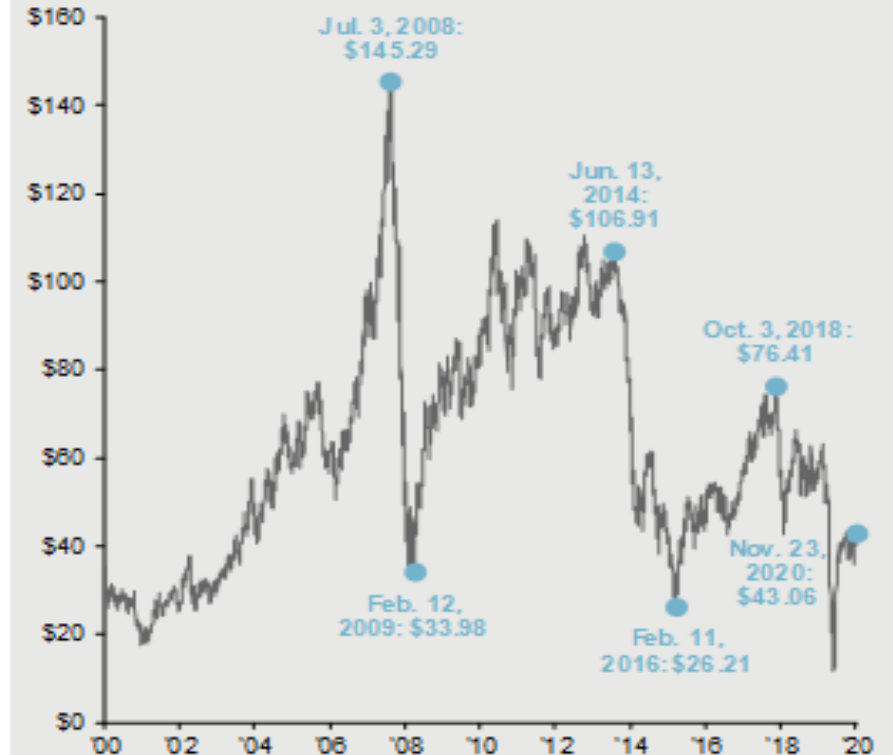
## U.S. crude oil inventories and rig count\*\*

Million barrels, number of active rigs



## Price of oil

WTI crude, nominal prices, USD/barrel



Source: J.P. Morgan Asset Management; (Top and bottom left) EIA; (Right) FactSet; (Bottom left) Baker Hughes.

\*Forecasts are from the November 2020 EIA Short-Term Energy Outlook and start in 2020. \*\*U.S. crude oil inventories include the Strategic Petroleum Reserve (SPR). Active rig count includes both natural gas and oil rigs. WTI crude prices are continuous contract NYM prices in USD. Guide to the Markets – U.S. Data are as of November 23, 2020.

**J.P.Morgan**  
Asset Management

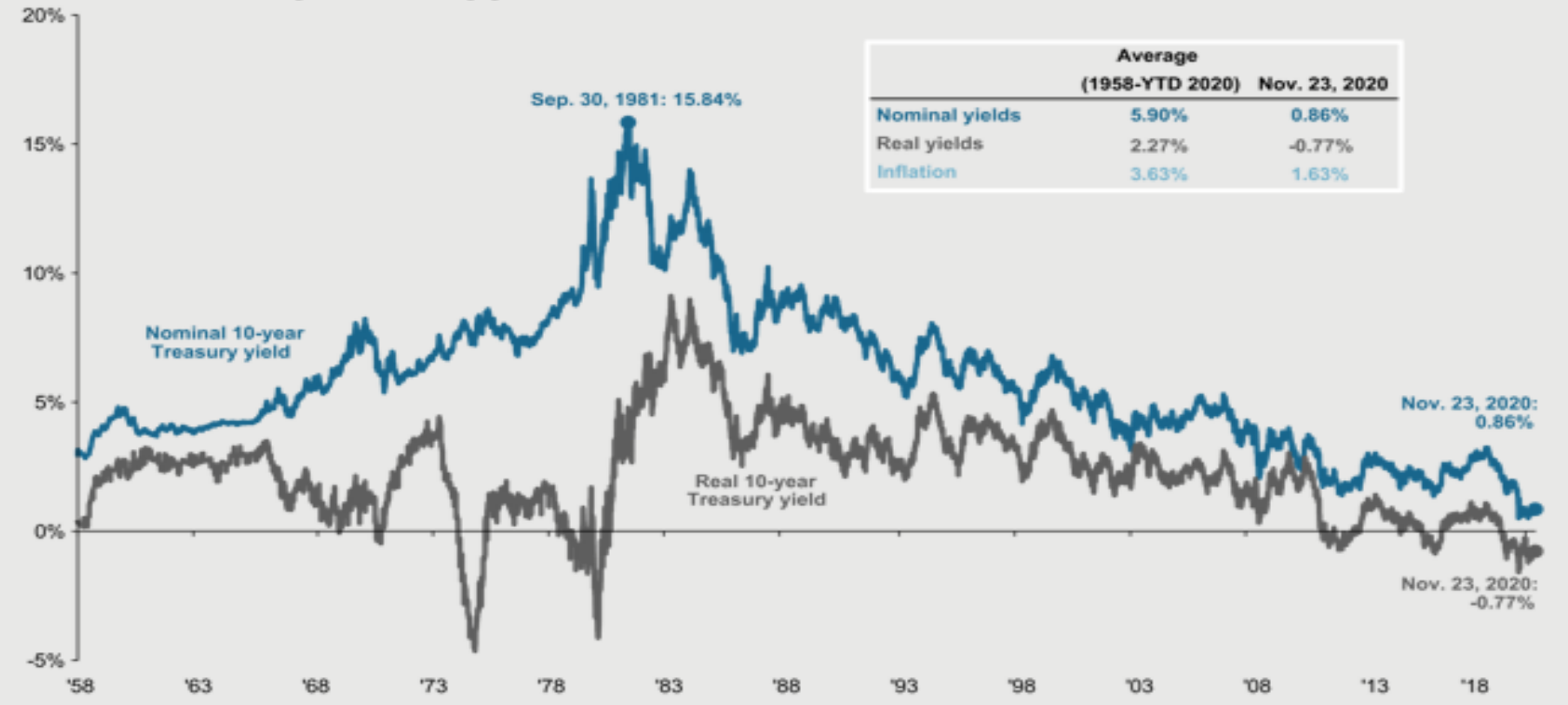


**Central Trust Company**

[www.centraltrust.net](http://www.centraltrust.net)

# THE CENTRAL **DIFFERENCE** | INTEREST RATES & INFLATION

Nominal and real 10-year Treasury yields

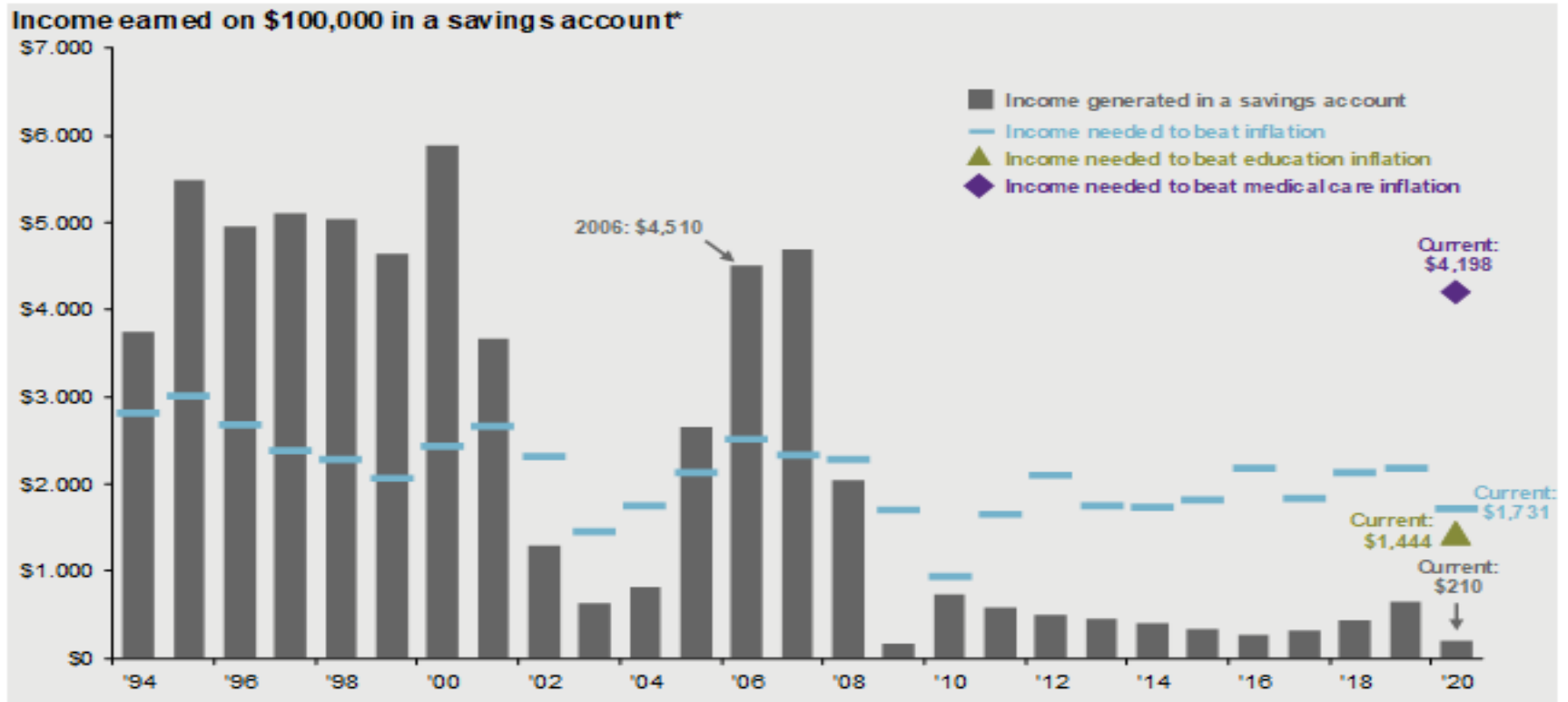


Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.  
Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month except for November 2020 where real yields are calculated by subtracting out October 2020 year-over-year core inflation.  
Guide to the Markets – U.S. Data are as of November 23, 2020.

**J.P.Morgan**  
Asset Management

# THE CENTRAL **DIFFERENCE** | SAVERS VS. BORROWERS

While savers are having a tough time, **borrowers are paying <3% for 30 year mortgages.**



**J.P.Morgan**  
Asset Management



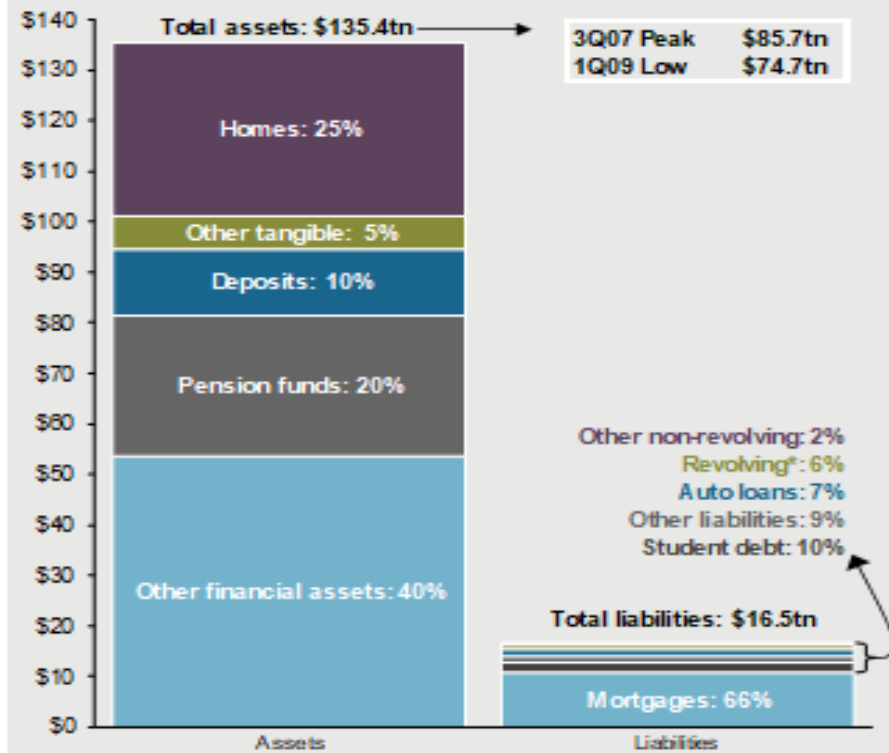
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# THE CENTRAL **DIFFERENCE** | HOW IS THE AVERAGE CITIZEN DOING?

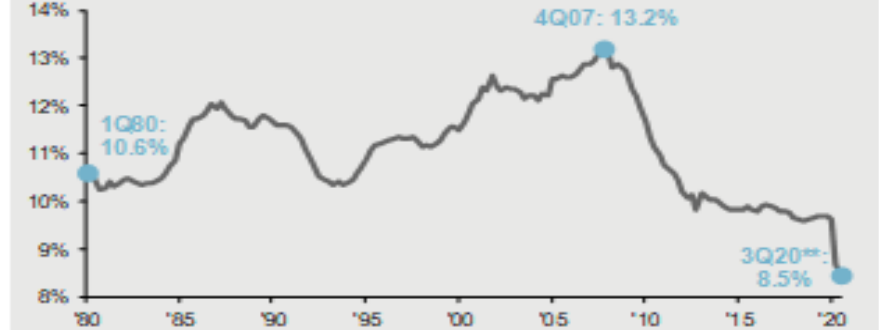
## Consumer balance sheet

2Q20, trillions of dollars outstanding, not seasonally adjusted



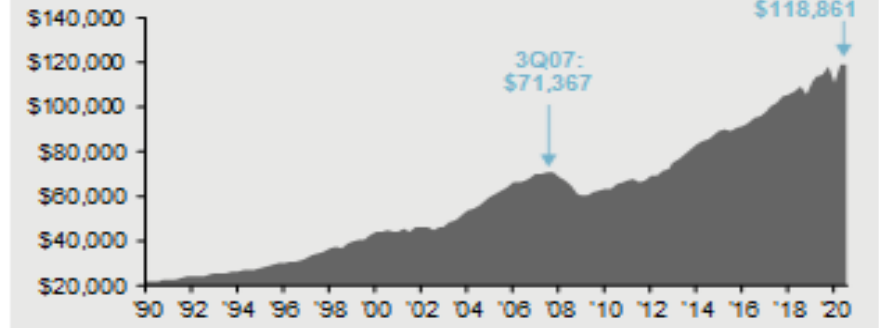
## Household debt service ratio

Debt payments as % of disposable personal income, SA



## Household net worth

Not seasonally adjusted, USD billions

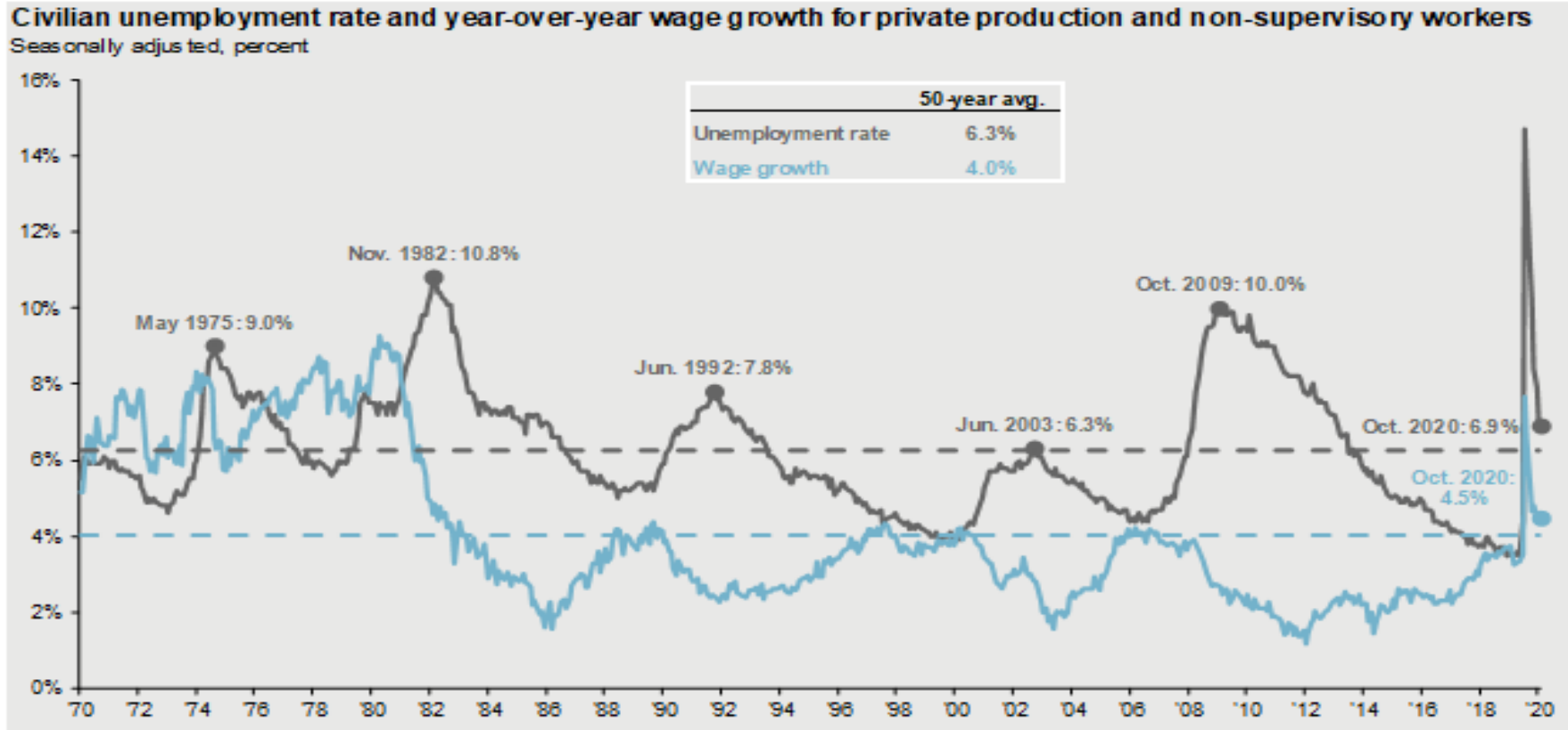


Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA.  
 Data include households and nonprofit organizations. SA = seasonally adjusted. \*Revolving includes credit cards. Values may not sum to 100% due to rounding. \*\*3Q20 figures for debt service ratio and household net worth are J.P. Morgan Asset Management estimates.  
 Guide to the Markets – U.S. Data are as of November 23, 2020.

**J.P.Morgan**  
 Asset Management



# THE CENTRAL **DIFFERENCE** | HOW IS THE AVERAGE CITIZEN DOING?



Source: BLS, FactSet, J.P. Morgan Asset Management.  
Guide to the Markets – U.S. Data are as of November 23, 2020.

**J.P.Morgan**  
Asset Management

# THE CENTRAL **DIFFERENCE** | LATEST EMPLOYMENT REPORT



## National Employment Report® October 2020



↑ 365,000

Total employment change in  
U.S. nonfarm private business  
sector from September to October.

### Change by Business Size



Small  
1-49 Employees

↑ 114,000



Mid-sized  
50-499 Employees

↑ 135,000



Large  
500+ Employees

↑ 116,000

### Change by Sector & Industry



Goods-producing Sector  
↑ 17,000



↑ 3,000  
Natural Resources  
& Mining



↑ 7,000  
Manufacturing



↑ 7,000  
Construction



Service-providing Sector  
↑ 348,000



↑ 53,000  
Trade, Transportation  
& Utilities



↑ 79,000  
Education & Healthcare



0  
Information



↑ 125,000  
Leisure & Hospitality



↑ 6,000  
Financial Activities



↑ 23,000  
Other Services



↑ 60,000  
Professional &  
Business



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## **Investment Management**

- Construction & Management of Customized Plan

## **Trust Services**

- Trustee or Co-Trustee
- Settlement Services

## **Retirement Services**

- Qualified Plan Management & Administration



# THE CENTRAL **DIFFERENCE** | WHO IS CENTRAL TRUST?

## **Fiduciary NOT a Broker-dealer**

- What's a fiduciary? *We are legally obligated to act in your best interest*
- How is this different from a Broker-dealer? *'Suitability Standard'*

## **Objective Advice**

- *Fee-only*= clients pay a flat fee calculated as % of AUM
- No proprietary funds, investments, or remuneration *of any kind*

## **Quality of Care**

- *Accessible*= Our teams have roughly 100 clients at a time vs. a broker-dealer who has nearly 5x that amount
- *Specialized*= Team of experts
- Willingness to link accounts to achieve fee breaks
- *Customization*= Decisions based on YOUR goals including objectives, risk tolerance, time horizon, & needs

## **Local Decisions**

- Locally owned and able to make fast, local decisions = faster response time, more accommodating to our clients

## **Safe, Secure, & Stable**

- Well-capitalized & recognized + backed by Central Bancompany + high employee retention
- Corporate Trustee has the ability to serve for generations, providing *continuity of care*
- Corporate Trustee has numerous specialized professionals who can provide an array of services- professional investment management, business advice, tax-planning expertise and accounting services- that an individual trustees may not be capable of providing (or can do so only at a higher cost)



## THE CENTRAL **DIFFERENCE** | WHO IS CENTRAL TRUST?

- Solid **team of trusted advisors** assigned to you to execute your wealth planning needs - *why have one person when you can have a team?*
- Over **115 employees** including Attorneys, CFPs, CFAs, CPAs & Trust Advisors
- **Manages over \$7 Billion in client assets** including individual investment portfolios, trusts, IRAs, corporations, retirement plans, and endowments
- **Fee-only**
  - Fees are calculated as a % of account market value
  - No other fees or commissions
- **Part of Central Banccompany**
  - Jefferson City based, \$14 Billion in assets, 13 affiliate banks
  - Safety of the trust, fiduciary, and custodial assets does not depend on the financial health of the bank but rather, property held in these accounts belongs to the owners of the accounts and would be unaffected by bank failure



# THE CENTRAL **DIFFERENCE** | PROFESSIONAL DESIGNATIONS

## ADMINISTRATION

Certified Trust and Financial Advisor (CTFA)	18
Master of Business Administration (MBA)	16
Certified IRA Services Professional (CISP)	3
Certified Wealth Strategist (CWS®)	1
Doctor of Business Administration (DBA)	1
Master of Arts Speech Communication (MA)	1

## COMPLIANCE

Certified Fiduciary & Investment Risk Specialist (CFIRS)	3
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## FINANCIAL PLANNING

Certified Financial Planner™ Professional (CFP®)	12
Master Planner Advanced Studies <sup>SM</sup> (MPAS®)	1

## LAW

Juris Doctorate (JD)	16
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## INVESTMENTS

Chartered Financial Analyst (CFA)	5
Accredited Wealth Management Advisor (AWMA)	4
Accredited Investment Fiduciary Manager (AFIM)	2
Chartered Alternative Investment Analyst (CAIA)	2
Certified Investment Management Analyst (CIMA®)	2
Accredited Investment Fiduciary Analyst (AIFA)	1
Accredited Portfolio Management Advisor (APMA)	1
Certificate in Investment Performance Measurement (CIPM)	1
Chartered Market Technician (CMT)	1
Chartered Mutual Fund Counselor (CMFC)	1
Financial Risk Manager (FRM)	1
Master of Science in Finance (MSF)	1

## OPERATIONS

Certified Securities Operations Professional (CSOP)	3
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## TAXATION

Certified Public Accountant (CPA)	3
Master of Laws in Taxation (LLM)	1
Master of Accountancy (MAcc)	1



THE CENTRAL **DIFFERENCE** | OUR CLIENTS ARE ALWAYS OUR PRIORITY



*Let us know how we can help!*

# QUESTIONS?



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