



‘Roar’

As we close the books on another decade (believe it or not!), we look back on just a few of the incredible advances that took place during those 10 years and also give insight on why we believe we are embarking on an even bigger and brighter “Roaring 20’s”.

“To look backward for a while is to refresh the eye, to restore it, and to render it the more fit for its prime function of looking forward.”

- Margaret Fairless Barber

iPad

Apple Corporation released the first generation iPad. Since that time, there have been more than 350 million tablets sold.¹ Enough for every person in the U.S.

Instagram

Instagram hit the web in 2010 and has since completely transformed human behavior, from the way we travel, find travel inspiration, the way we eat and share our meals, to the way we interact with our friends, families, and in many cases, total strangers.

Virtual Home Assistants

The launch of “Alexa” in 2014 brought with it a new kind of “smart home”. The speaker basically acts as a virtual assistant, with the ability to do anything from tell you the

1 (<https://www.statista.com/statistics/269915/global-apple-ipad-sales-since-q3-2010/>)



weather for the day, to update you on the latest headlines to playing your favorite tunes. This first-of-its-kind speaker ultimately set the state for additional smart speakers to come.

Virtual Payment and point of sale (POS) systems

Venmo has created a new way for people to split their dining bills or pay their rent and all but eliminated the “IOU”. A simple concept to send money to people instantly by tapping a few buttons on your smart phone was launched in 2010 by college roommates. It was purchased in 2015 by PayPal and in the third quarter of 2019, net payment volume amounted to \$27 billion. The company had more than 40 million active accounts at the end of first quarter 2019.²

Square was one of the biggest products to evolve out of the past decade. Of all of the ways it has positively impacted payment options, one of the best has been the opportunity for small business owners and budding entrepreneurs. The Square Reader (a small card reader that can be plugged into a smartphone) makes it easy for people to take card payments anywhere.

The Self-Driving Car

Both Google and Apple secretly started testing fully autonomous cars in the first part of the decade with most major car manufacturers and ride-hailing companies following suite. Researchers estimate that driverless cars could, by midcentury, reduce traffic fatalities by up to 90%.³

3D printed body parts

3D printing is widely regarded as being an industry-changing technology for consumer goods and manufacturing. But what’s not well-known is that scientists have successfully created human body parts using 3D printers. In 2013, researchers from Cornell University printed an outer ear that worked like and resembled the real thing. Researchers from the University of Pennsylvania and MIT have also reproduced blood vessels using similar processes. At Wake Forest University in North Carolina they were able to print skin cells onto wounds for rapid healing. A San Diego company called Organovo has also committed itself to printing human livers, and a 3D-printed partial liver transplant is expected by 2020. Other exciting new medical applications for 3D printing include the printing of denture material such as crowns, orthodontic appliances and dentures, as well as hearing aids and inexpensive customized prostheses for landmine amputees.

2 (<https://www.statista.com/statistics/763617/venmo-total-payment-volume/>)

3 (<https://www.theatlantic.com/technology/archive/2015/09/self-driving-cars-could-save-300000-lives-per-decade-in-america/407956/>)



Gene Therapy

Gene therapy is the modifying of someone's DNA to treat disease, rather than just treating the symptoms like most drugs on the market. The use of gene therapy technology to treat blood cancers such as leukemia is one of the most exciting medical developments in recent history. Recent experiments have also revealed the potential for gene therapy to be used in reversing other types of cancers such as breast cancer. There's some promise that gene therapy could one day be used to eliminate the need for traditional treatments such as radiation, chemotherapy or surgery. 2017 was the a landmark year for many gene therapy breakthroughs, including it being used to cure a teenage boy with sickle cell disease.⁴ Gene therapy has also been used to successfully build new skin for a patient with a connective tissue disorder, restore sight in several patients with retinal diseases, and substantially increase the blood-clotting proteins in patients with hemophilia. Developments have also occurred in relation to the use of gene therapy to treat symptoms of ageing.⁵ If muscle mass and stem cell depletion can be effectively treated with gene therapy, this technology has the potential to significantly slow the human ageing process

"I look to the future because that's where I'm going to spend the rest of my life."

-George Burns

The Economic Boom of the 1920s was driven by a number of factors including the assembly line and the mass production of consumer goods such as the Ford Model-T automobile, luxury appliances like the refrigerator, electric stove and washing machine as well as easy access to credit installment plans. It was also however, not without challenges and dramatic changes as our country faced prohibition, a historic women's rights movement, major tax adjustments and an ever changing political landscape with four different Presidents during the decade. While we have since moved leaps and bounds beyond the assembly line, the forthcoming 20's, in our opinion, is similarly situated to it's predecessor. We will highlight just a few of the reasons we believe the next decade may make the 1920's look more like a lamb compared to the economic lion that is taking shape right before our eyes. Roar!

⁴ (<https://www.newscientist.com/article/mg23331154-800-gene-therapy-breakthrough/>)

⁵ (<https://www.news-medical.net/news/20160425/First-breakthrough-in-gene-therapy-against-aging.aspx>)



Demographics

Then: The 1920's came to be known as an era of liberation for women. The decade gave rise to the flapper, described by *Webster's Collegiate Dictionary* as "a young girl, especially one somewhat daring in conduct, speech and dress." At the same time a powerful women's political movement demanded and won the right to vote in 1920.

Now: The 'Great Wealth Transfer', an estimated \$68 trillion transfer of wealth from the Baby Boomer generation, is to happen by 2030. This will represent the largest transfer of wealth in American history.⁶ According to Boston College's Center on Wealth and Philanthropy, it is estimated that women will inherit 70 percent of the Great Wealth Transfer, added to the fact that in 2018, 4 out of every 10 businesses in the U.S. was owned by women.⁷ Women currently drive 70-80% of all consumer purchasing, through a combination of their buying power and influence. Influence means that even when a woman isn't paying for something herself, she is often the influence or veto vote behind someone else's purchase.⁸ Consumer spending, in the United States, accounts for nearly 70% of the Gross Domestic Product (GDP).⁹ The 2020's will once again, in our view, be defined by the women of our country.

Access to Capital

Then: By the 1920's credit installment plans had hit the mainstream. The installment plan enabled people to buy goods over an extended period of time, without having to put down very much money at the time of purchase. With this plan people could purchase an automobile, household appliances, homes, furniture and other items. For example, if someone wanted to buy a car that cost \$200, they would receive the car first. Every month they would have to pay \$20 or so until the car was completely paid off. The ability to own now and pay later was a spark the economy needed to get people spending again.

Today: There are arguments on both sides of the low interest rate coin. Low

6 (<https://www.cnbc.com/2018/11/20/great-wealth-transfer-is-passing-from-baby-boomers-to-gen-x-millennials.html>)

7 (<https://www.bizjournals.com/bizwomen/news/latest-news/2019/09/number-of-women-owned-businesses-is-on-the-rise.html?page=all>)

8 (<https://www.bloomberg.com/company/stories/top-10-things-everyone-know-women-consumers/>)

9 (<https://www.thebalance.com/components-of-gdp-explanation-formula-and-chart-3306015>)

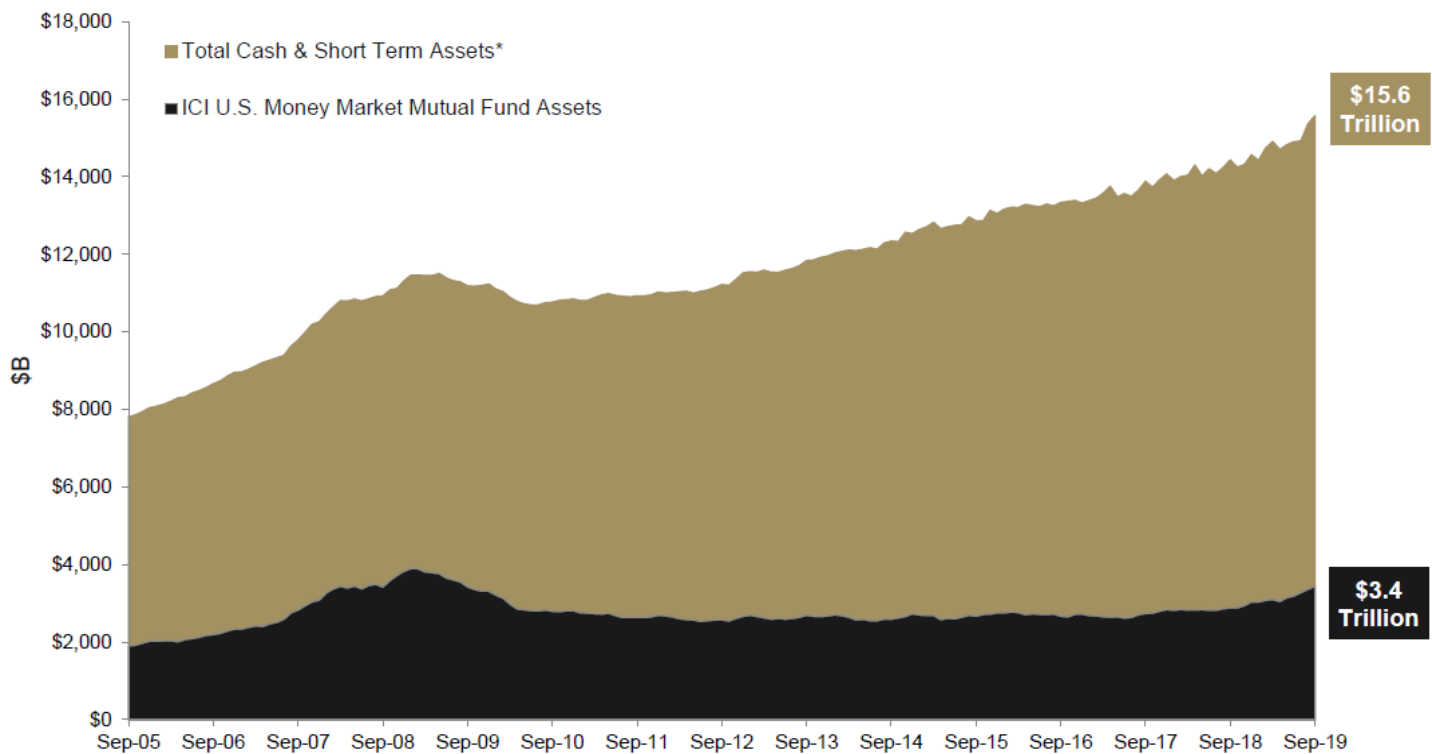


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interest rates are good; low interest rates are bad. We believe this to be true. Where the rate falls on the yield curve is not nearly as important to us, nor business owners and consumers, as is the ability to access funds. Now, we are not proponents for taking on debt, either for corporations nor the consumer, so we bring to your attention something that is quite staggering. Below is a chart, shared with us from Lord Abbett, illustrating the current levels of cash and cash equivalents. The U.S. consumer, as well as corporations, need not to solely depend on an institution for access to funds for capital expenditures (or that car like their ancestors did), they merely need to go to their savings account. Current cash levels are at extremely high levels. Whatever decides to get in the way of this cash, is going to benefit, substantially.

CASH & SHORT TERM ASSETS VERSUS MONEY MARKET ASSETS

(AS OF 09/30/2019)



Source: Investment Company Institute data, Federal Reserve, and Bloomberg. For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. *Total cash and short-term assets include money market assets (ICI), large time deposits, all commercial banks, NSA (not seasonally adjusted), savings deposits, and small time deposits.

The ramifications of the 2008-2009 great recession is still felt today and this chart is truth to that. When going through the storm like we did, corporations and consumers alike have it etched in their memories that they never want to be in a position of illiquidity again. Reminds us of Aesop's 'Ant and the Grasshopper'. This is a fantastic position to be in, kicking off the new decade.



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So as we bid adieu to a remarkable decade we do so looking forward with anticipation for what is next. As the genius Clark Griswold always said “It’s living history, Ellen”, we too marvel in the fact that we are indeed living through a great time in the historical timeline. Great strides continue to take place in all arenas of our lives, and as investors you are able to have a back seat for one of the most fascinating journeys in time. We thank you for your continued trust and confidence and look forward to the many great years ahead.

Here’s to a rip ‘roaring’ 20’s!

Randy, Trevor and Ashley

P.S.

Just before the clock struck 12 ending 2019, some new important regulations were passed through Congress, regarding IRA accounts that we wanted to bring to your attention.

SECURE Act

You may have heard about the awkwardly-named “Setting Every Community Up for Retirement Enhancement” (SECURE) Act. The new law includes provisions that make dramatic changes to retirement account distributions at death and during life. Below are two of the changes that we think have the greatest impact on our clients:

1. Beneficiary (Inherited) IRAs

One drastic change by the SECURE Act impacts the required payout to beneficiaries of a traditional IRA or retirement account. For many years prior to 2020, beneficiaries could spread required minimum distributions (and therefore the tax obligations associated with them) over their lifetimes. This ability to spread out taxable distributions after the death of the IRA or retirement account owner was often referred to as the “stretch IRA” rule. For most beneficiaries, this meant longer tax-free growth and possible avoidance of a higher tax bracket.

The new law generally requires any beneficiary who is more than 10 years younger than the account owner to fully distribute the account to \$0 within 10 years of the account owner’s death. However, this new rule doesn’t apply if the beneficiary is a spouse, disabled or chronically ill individual, or a minor child. This shorter distribution period could



result in unanticipated income tax bills for individuals who inherit high-value traditional IRAs or retirement accounts. If you have one of these with a large balance, it may be wise to check with your estate plan attorney to possibly reevaluate your beneficiary choices.

2. RMD Beginning Age

For many years, age 70 ½ was generally the time that owners of traditional IRAs and retirement accounts had to begin taking Required Minimum Distributions (RMDs). For those that turned 70 ½ in 2019 or earlier, this new law does not apply. For those that turn age 70 ½ in 2020 or later, the RMDs are generally required to begin at age 72. This is a benefit for people that do not need the cash flow because it defers the income tax consequence of the distributions and lengthens the time for tax-free growth a little longer.

If someone has charitable intentions, this new law does not impact the ability to make a Qualified Charitable Distribution (QCD) beginning at age 70 ½. A QCD is a direct transfer of funds from your IRA to a qualified charity and that amount is excluded from your taxable income. This is a good strategy to consider if you take a standard deduction on your income tax return because it is higher than if you itemized your deductions.

With all tax changes, it is wise to revisit your situation with your tax advisors. With this one, it could also involve checking with your estate planning team. As always, call us with any questions you may have.



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