People are often surprised by how adaptable and resilient we all can be when facing a crisis. I feel this is particularly true of our team here at Janney and you, our clients. The pandemic and its economic impact has caused many of us to search for new ways of doing things, adjust our plans, and perhaps seek out new opportunities.

One way we are accomplishing this at Janney is by collaborating with clients to create—or update—financial plans. In fact, we’ve seen a record number of plans implemented since the beginning of the pandemic as many of you have come to believe that having a plan helps you address the things that you can control, and be able to more comfortably pivot when you need to adjust the plan. Working with your Financial Advisor on your personal financial plan (or one that involves your entire family, if appropriate) can help you take steps now to make your future goals a reality and address the unexpected with more confidence.

Another way of adapting to these pandemic-related challenges is by taking care of your financial affairs from home. We have been enhancing our online capabilities to support your growing need for digital services. Our Online Access Mobile App has been redesigned so you can manage your Janney accounts from your mobile device with greater speed. Soon we will launch an improved My Net Worth tool that not only allows you to view all of your finances, at Janney and elsewhere, but will now integrate with Zillow—a feature many of you requested so you can obtain an estimate of your property’s market value. With Zillow, and some other exciting upgrades, you’ll get an even more complete picture of your net worth in a single online view.

Our online library of educational articles and insights continues to grow. I hope you take time to visit Janney.com to read insights on timely personal finance topics and commentary from the Investment Strategy Group on the economy and the U.S. elections and the impact they may have on the markets.

Trying times can make us grateful for the relationships we have. Thank you for your continued trust in Janney. Your financial well-being continues to be at the center of everything we do. At all times, in all market conditions and during times of uncertainty, we are here to help you progress toward achieving your financial goals.

Stay well,

— Timothy C. Scheve
President & Chief Executive Officer
Inflation What Ifs

Inflation has remained below the elusive 2% target over the past decade. Most recently it was due to the pandemic-induced economic collapse, and it may still be quite some time before it rises to the 2% target. But consider what would happen if:

- the combination of massive monetary stimulus, and the increasing willingness of fiscal officials to spend, actually works to stoke growth that in turn breeds inflation
- the goal of reflating the economy works
- central bankers think simply raising rates will thwart the advance of inflation if it becomes unanchored
- inflation instead creeps toward 3%

Though we don’t know if any of the above will actually happen, it may be worth preparing for them by considering inflation-adjusting instruments such as Treasury Inflation Protected Securities (TIPS) and cash equivalents, commodities such as basic metals and gold, and other hard assets such as real estate. Also worth considering are equities, such as those in the Basic Materials and Industrial sectors, and foreign equities—particularly emerging market stocks.

Fed Focuses on Average Inflation Targeting

In late August, the Fed’s first monetary policy framework was outlined during a virtual conference. One of the topics that has gained critical support is Average Inflation Targeting (AIT)—a new way to manage the tradeoff between full employment and inflation. Historically, the Fed has sought to raise interest rates when the economy was near full employment to ensure that inflation “settled” around a 2% spot rate. Under an AIT approach, the Fed will instead look to target 2% inflation over a rolling period. We offer three conclusions about AIT:

- It is likely to have the Fed leaving interest rates lower than they otherwise would have over the next several years. Lower inflation means lower-for-longer overnight interest rates.
- It introduces a risk for long-term interest rates, as longer-term bonds (seven years or more) are more sensitive to inflation.
- If executed well, it has the potential to improve economic well-being, which is presumably positive for risk assets like equities.

Next Major Market Moves

The Investment Strategy Group does not foresee an immediate surge in the 2021 S&P 500 earnings estimate, but gradual improvement in the weeks ahead will help to ease valuation concern. A modest pullback or even moving sideways for a few weeks can improve the market’s technical condition.

Based on potential 2022 earnings, and an elevated multiple resulting from low interest rates, achieving an even higher S&P 500 than the recent record is possible, and could occur more quickly than many investors believe is likely. For this reason, investors are encouraged to use any market pullback as an opportunity to add to equity exposure.

Please contact your Financial Advisor if you wish to discuss how this outlook may apply to your specific situation.
If you are considering an IRA conversion, consult with your Financial Advisor about whether it may fit in line with your financial plan.

If you are thinking of converting from a traditional IRA to a Roth IRA, you’ll need to pay income taxes on the account balance transferred in the same year you make the conversion. While no one thinks there is a good time to effect a transaction that causes a tax bill, this may be such a time to consider it due to low interest rates and market conditions.

Here’s an example: Suppose you have a $500,000 IRA and you are in the 35% tax bracket. If you converted, it would result in a $175,000 tax bill. If in that same account there is a market downturn of 20% (prior to converting), that changes the IRA’s value to $400,000. Using the same tax bracket, the new tax liability upon conversion would be $140,000, or $35,000 less.

Other factors to keep in mind:

• If you plan on passing on your IRA, inherited IRAs must now be fully distributed within 10 years if not passed on to an eligible designated beneficiary (new tax laws now limit when a stretch IRA is allowed). Converting to a Roth IRA may help to avoid higher taxes down the road for your heirs.

• IRAs are subject to required minimum distributions while Roth IRAs are not. Accordingly, Roth IRAs have the potential to increase net worth over time versus traditional IRAs.

• Increased income may impact your current year deductions, credits, exemptions, phase-outs, taxation of Social Security benefits, and certain Medicare premiums.

• You can no longer re-characterize a Roth IRA conversion back to a traditional IRA.

• Roth IRA distributions are tax- and penalty-free and Roth IRA earnings are tax-free when distributed.

• A conversion is not an all or nothing action; you can decide to start with a partial conversion of your traditional IRA.

The coronavirus crisis has made it difficult to plan ahead. And while uncertainty abounds, there is actually no better time than now to plan for your financial future. Having a financial plan in place allows you to address the things that you can control—and set a course of action for your long-term future. A financial plan is more than investing; we believe it is the anchor from which sound financial decisions can be made.

Speak to your Financial Advisor today about creating a financial plan that can help you with goals such as planning for retirement, educating your children or grandchildren, passing on your wealth to the people and causes most important to you, or simply updating your investment approach to ensure it is aligned with your goals. Take a look at www.janney.com/wealth-management to learn more about our approach.

ACTING IN YOUR BEST INTEREST

Created by the Securities and Exchange Commission (SEC), the new set of rules, Regulation Best Interest, which went into effect earlier this summer, helps ensure that all Financial Advisors act in their clients’ “best interest” when making any brokerage account recommendations regarding:

• Purchasing, selling or exchanging investments.

• Selecting a particular investment strategy.

• Choosing the most appropriate investment relationship for you (brokerage or advisory).

• Considering a qualified retirement account rollover.

You have already received Janney’s Client Relationship Summary (Form CRS), which summarizes key information about the services we offer and obligations we undertake when making recommendations to you. This document will also be provided when your Financial Advisor makes certain recommendations so that you are fully aware and informed.

As a reminder, Janney’s duty of care is to form recommendations based on your client profile, and the potential risks, rewards, and costs associated with each recommendation. Your Janney Financial Advisor will recommend what is in your best interest based these factors, to help you make financial decisions toward achieving your long-term financial goals.

If you have any questions, contact your Financial Advisor or visit www.janney.com/crs.
MAKE ONLINE ACCESS PART OF YOUR FINANCIAL PREPAREDNESS PLAN

Adverse events such as the pandemic remind us of the importance of being proactive and prepared for life’s challenges. Which is why Janney’s Online Access is such an invaluable tool.

When you enroll in Online Access, you have the ability to use your home computer or mobile device to access your financial accounts, receive digital statements, pay bills, transfer cash, and more, from the comfort of home. Plus, we’ve redesigned our Online Access Mobile App so you can manage your financial life anytime and anywhere you choose with greater speed, convenience, and efficiency.

To enroll in Online Access today, go to MyJanney.com and click “Sign up for Online Access.”

COMING SOON: A NEW MY NET WORTH

Featuring Zillow’s Zestimate Integration

Janney’s My Net Worth tool, which allows you to see your entire net worth in a single online view, is getting an upgrade.

Coming this fall, you’ll have access to a more complete financial picture with an updated account management page, a 30-day budget feature, and integration with Zillow’s Zestimate—so you can also get an estimate of your property’s market value.

More details will be coming soon. In the meantime, if you are not enrolled in Online Access, sign up today at MyJanney.com to take advantage of My Net Worth and other complimentary tools from Janney.

MSRB Rule G-10

Investor and Municipal Advisory Client Education and Protection Janney is registered with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). An investor brochure that describes the protections that may be provided by the MSRB’s rules and how to file a complaint with an appropriate regulatory authority is available on the MSRB’s website (http://msrb.org).

Statement of Financial Condition

Janney Montgomery Scott LLC is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission, and is required to maintain a minimum amount of net capital. As of June 30, 2020, Janney’s Net Capital and Net Capital Requirement were $162,188,648 and $11,108,022, respectively. You may obtain a copy of this Statement of Financial Condition as of June 30, 2020 at no cost by accessing our website at www.janney.com or by calling our toll-free number at 800.526.6397.

Janney Montgomery Scott LLC

1717 Arch Street, Philadelphia, PA 19103 | 1.800.JANNEYS | www.janney.com

This is for informative purposes only and in no event should be construed as a representation by us or as an offer to sell or solicitation of an offer to buy any securities. Neither Janney Montgomery Scott LLC nor its Financial Advisors are tax advisors. Please consult your tax advisor before implementing any tax-related strategies mentioned in this publication. The information given herein is taken from sources that we believe to be reliable, but is not guaranteed by us as to accuracy or completeness. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors.

For more information about Janney, please see Janney’s Relationship Summary (Form CRS) on www.janney.com/crs which details all material facts about the scope and terms of our relationship with you and any potential conflicts of interest.