



THE PRINCIPLE QUARTERLY

OCTOBER 2020



Dear Friends,
What a busy and exciting time of year. A historic election is just a week away and the holidays are close behind. The roller coaster year of 2020 brought its challenges and forced all of us to adopt new ways of connecting, both personally and professionally. I think I can speak for all of us here and say, we are looking forward to a healthier and happier 2021!

In this edition of *The Principle Quarterly*, we address little-known facts about presidents and elections, charitable giving, tax-loss harvesting and other timely topics. We also share some exciting things happening at the firm!

We hope you enjoy this newsletter and, as always, encourage you to call or email us with any feedback or questions you may have.

Be well,
Bob

What's Happening?



Thanks to your generosity, we created 86 diaper bundles! Pictured here are Barbara Gambino, her son Tore Gambino and Megan Maruzo.

Principle Wealth Partners gives back! This year we launched the Principle Wealth Partners Invitational, an annual event to bring clients, advisors and colleagues together in a joint effort to improve the lives of others. The first annual Invitational was spearheaded by Megan Maruzo, and our recipient was Bare Necessities, a 501 (c) (3) charity that provides low-income families in the shoreline communities with the diapers and wipes they need. The average baby goes through six to ten diapers per day, an expense not covered by any public assistance program and one many families cannot afford.

Invitational teams had the option to participate in a range of sporting activities and participants enjoyed the camaraderie of working together to support a worthy cause. Invitational t-shirts were generously donated by Bob Paolucci, allowing 100% of donations to go directly to the cause.

There's still time! If you want to donate, you can make a contribution via VENMO to @Bare-Necessities (code is 7558), contribute on the website, bare necessitiesct.org, or send a check payable to Bare Necessities to Megan Maruzo, Principle Wealth Partners, 670 Boston Post Road, Madison, CT 06443. We appreciate and thank you for your generosity!

What's Inside

The Joy of Giving Back	Page 2
Tax-Loss Harvesting	Page 3
A Closer Look at the S&P 500	Page 5
Principle Wealth Partners Grows	Page 6
Election Day Facts	Page 7
Looking for a Good Book?	Page 8
Directory	Page 9
Looking Back at 3Q 2020	Page 10

The Joy of Giving Back

By Megan Maruzo



Giving back is often an important goal of a financial plan. Done well, philanthropy can be one of life's most rewarding and meaningful acts, and produce significant positive change for others and the world.

To make philanthropic endeavors more effective, efficient and personally fulfilling, we believe it is best to approach them strategically. As you set out on your philanthropic journey, you may find it helpful to consider the following steps:

1. Get inspired

Philanthropy is most effective when it reflects what matters most to you. Think about where you'd like to channel your resources so that when you give, it's with intention. Then, create a formalized mission statement that clearly articulates your values and vision for the world and guides your giving.

2. Do your homework

Learn as much as you can about the issues you have chosen to address, decide which organizations to support and how you want to engage. You may wish to volunteer your time, share your expertise or serve on the board of an organization, in addition to providing financial support. If a philanthropic legacy is one of your goals, you may also want to involve your family.

3. Implement your strategy

Once you commit to your philanthropic mission, you need to decide how and how much you'd like to give. You can give cash, appreciated stock or other non-cash assets. You want to choose a strategy that both maximizes your gift and helps you achieve your financial objectives. Following, we describe some of the options.

DONOR-ADVISED FUNDS

Donor-advised funds (DAFs) are one of the easiest and most tax-advantageous ways to give.

A DAF is a charitable investment account set up for the sole purpose of supporting charitable organizations. Accounts can be set up immediately, at little or no cost. Donors control who the recipients will be and can recommend grants to virtually any IRS-qualified public charity. Donors also control the allocation of assets in the fund and the timing of asset transfers to recipients. Donations can include both marketable and non-marketable assets, all of which are tax deductible when the donation is made. It is important, however, to remember that DAF donations are irrevocable.

CHARITABLE TRUSTS

Charitable trusts can be a tax-efficient way to support philanthropic causes while preserving wealth for you and your family over the long term.

There are two kinds of split-interest charitable trusts:

Charitable Lead Trusts (CLT)

For a preset number of years, a CLT pays a set amount to one or more non-profits chosen by the donor. Once the term of the trust is up, the remainder of the assets passes to the donor's beneficiaries. While donors may pay a wealth transfer tax up front, there should be no additional tax responsibility when the assets are transferred.

Charitable Remainder Trusts (CRT)

A charitable remainder trust is the reverse of a CLT. With a CRT, the payment stream (maximum term of 20 years) goes to the donor, after which the remainder goes to the charity. When the donor creates the CRT, he/she receives a charitable income tax deduction based on the value of the amount that will pass to the charity when payments to the donor end.

continued on next page

The Joy of Giving Back, continued

PRIVATE FOUNDATIONS

Private foundations offer unparalleled financial control, significant tax advantages and the opportunity to perpetuate your family legacy.

Donations to a private foundation are tax deductible up to 30% of adjusted gross income for cash and 20% for appreciated stock. Other asset types, such as real estate, may be donated but there are limitations so it may be necessary to check with your tax advisor. In private foundations, the donor controls the investment of the assets and the selection of recipients. In addition to making grants to separate non-profits, private foundations can even conduct their own charitable programs so long as the IRS approves.

The administrative burdens and costs of running a private foundation can be relatively high. Although there are some less expensive outsourcing options now available for these services, the minimum investment for a private foundation is typically \$250,000, with most private foundations well above that level.

4. Evaluate the results

It's important to establish a way to measure success and determine whether your giving is making a difference. Set criteria for your charitable giving that can assess to what degree you are achieving your goals and if adjustments need to be made in your plan.

5. Take the next step

Giving Tuesday, celebrated on the first Tuesday after Thanksgiving, inspires people to give back. Should you be inspired, we can help you create a philanthropic strategy aligned with your financial and estate planning goals.

Make informed decisions

You can evaluate charitable organizations to select those that are accredited and have a mission aligned with your philanthropic goals through third-party evaluators, including [CharityNavigator](#) and [GuideStar](#).

Tax-Loss Harvesting: Turning a Negative into a Positive

By John Hannigan



Fall is the season of the harvest in New England, the time when the Plymouth colonists and Wampanoag tribe feasted on the first Thanksgiving harvest in 1621.

When it comes to financial planning, fall is the season for tax-loss harvesting. This is a potential strategy for reducing your tax bill and needs to be completed by the end of the year.



Tax-loss harvesting is the process of selling investments that have lost value in a taxable account. There are several potential benefits to this strategy that make it worth considering. These include:

- Offsetting the capital gains taxes owed from selling other investments at a profit
- Reducing your overall taxable income by up to \$3,000 per year
- Lessening your tax liabilities in future years through tax-loss carryforwards

How Tax-Loss Harvesting Works

The values of the holdings in your portfolio fluctuate over time. But those changes are not recognized from a tax perspective until you sell an asset, or “realize” the difference. Selling an investment at a profit results in a realized capital

continued on next page

Tax-Loss Harvesting, continued

gain; selling it for less than the cost basis creates a realized capital loss.

Each year, the IRS allows you to offset capital gains with losses for tax purposes. You are able to deduct up to \$3,000 in net capital losses to reduce your taxable income. If your net losses exceed \$3,000 for the year, the overage can be carried forward and applied to tax liabilities in future years. See the illustrated example to the right for an explanation.

The Rules of the Road

Maximizing the benefits of tax-loss harvesting depends on carefully selecting which investments to sell in the right time frame. This is critical because the length of time an investment is held before a gain or loss is realized has different tax implications.

There are 2 types of capital gains and losses: short term and long term.

- 1. Short-term capital gains and losses** are those realized from the sale of investments that you have owned for 1 year or less.
- 2. Long-term capital gains and losses** are realized from selling investments held longer than 1 year.

Short- and long-term gains are taxed differently. Short-term capital gains are taxed at your marginal tax rate as ordinary income. The top marginal federal tax rate on ordinary income is currently 37%. Long-term capital gains tax rates are substantially lower. The highest long-term capital gains tax rate is currently 20% for very high earners.

According to the tax code, short- and long-term losses must be used first to offset gains of the same type. But if your losses of one type exceed your gains of the same type, you can then apply that excess to the gains on the other type. For example, if you were to sell a long-term investment at a \$15,000 loss but had only \$5,000 in long-term gains for the year, you could apply the remaining \$10,000 excess to any short-term gains.

A Few Tips for Getting the Most from Your Tax-Loss Harvesting Strategy

When you are interested in taking advantage of tax losses, start with short term. Short-term losses provide the greatest benefit because as they are used to offset short-term gains,

The Benefits of Tax-Loss Harvesting

Without Tax-Loss Harvesting		With Tax-Loss Harvesting	
Sale of Fund A	\$30K GAIN	Sale of Fund A	\$30K GAIN
	X		+
	15% TAX	Sale of Fund B	-\$15K LOSS
	\$4,500 Tax Owed		\$15K NET GAIN
			\$2,250 Tax Owed

Source: Morgan Stanley

which are taxed at a higher marginal rate. If you have harvested short-term losses but have only unrealized long-term gains, you may want to consider realizing those gains in the future. The least effective use of harvested short-term losses would be to apply them to long-term capital gains. But, depending on the circumstances, that may still be preferable to paying the long-term capital gains tax.

Also, keep in mind that realizing a capital loss can be effective even if you didn't realize capital gains this year, thanks to the capital loss tax deduction and carryover provisions. The tax code allows joint filers to apply up to \$3,000 a year in capital losses to reduce ordinary income, which is taxed at the same rate as short-term capital gains. If you still have capital losses after applying them first to capital gains and then to ordinary income, you can carry them forward for use in future years.

Tax-loss harvesting can be a beneficial way to reduce your tax bill and increase the after-tax value of your investments. But, it is necessary to take the time to understand the applicable tax rules and design your strategy carefully. We can help you determine whether tax-loss harvesting is appropriate for you and will work with you and your accountant to create a strategy that minimizes your capital gains.

A Closer Look at The S&P 500

By Andrew Cialek



The S&P 500 is a stock market index that measures the performance of 500 large companies listed on stock exchanges in the United States. Over the years, it has become widely accepted as a point of

reference for the performance of the U.S. stock market overall. Investing in the S&P 500 has also become popular among those looking for a diversified core holding representative of the broad U.S. equity market. In fact, it is so popular that four of the five largest ETFs or mutual funds, by assets, are now S&P 500 vehicles.

Given the significance of the S&P 500 as a market bellwether and core investment option, it is worthwhile for investors to understand how the index is constructed and what it represents.

How the S&P 500 is Built and Why it Matters

The stocks in the S&P 500 are selected by committee to collectively represent the largest public companies in the United States. Criteria for selection include size, liquidity, industry classification and exchange listing.

The S&P 500 is a market capitalization-weighted index meaning that each company in the index is given a weight, based on its total market capitalization (share price x number of outstanding shares). Thus, as a company's stock price or number of outstanding shares changes, the value of the company can change and thereupon its weight within the index.

As a market-weighted index, the 500 companies in the S&P 500 are not represented equally. In fact, the index is quite top heavy with nearly 25% of the capitalization in the index now accounted for by just five companies.

Symbol	Name	% Weight
AAPL	Apple Inc.	6.69%
MSFT	Microsoft Corp	5.63%
AMZN	Amazon.com Inc.	4.70%
FB	Facebook Inc	2.33%
GOOGL	Alphabet Inc	1.64%
GOOG	Alphabet Inc	1.60%
TOTAL		22.59%

Source: Ycharts data

The aggregate weighting of these current leaders has grown dramatically in recent years, as the chart below indicates, and there is little to suggest that this trend will not continue.

FAAGM* Market Cap Share of S&P

December 31, 2013 - December 31, 2020



*FAAGM stocks include Facebook, Amazon, Apple, Google (Alphabet) and Microsoft. Both classes of Alphabet are included
Source: Standard & Poor's and I/B/E/S data by Refinitiv.

Investors looking for broad diversification should be aware of the concentration in weighting across companies in the S&P 500 at the individual company level, as well as at the sector/industry level. The five largest companies in the index alluded to above are Facebook, Amazon, Apple, Google and Microsoft. Driven by the weightings of these technology leaders, the technology sector currently accounts for nearly one-third of the S&P 500, as the following table shows. Over 70% of the index is represented by just four industry sectors.

continued on next page

A Closer Look at the S&P 500, continued

Revenue Exposure by Sector/Industry

Sector/Industry	% Exposure
Technology	32.38
Consumer Non-Cyclicals	13.50
Healthcare	13.17
Finance	13.12
Industrials	6.84
Consumer Cyclicals	3.82
Telecommunications	3.57
Consumer Services	3.16
Non-Energy Materials	3.03
Utilities	2.62
Business Services	2.55
Energy	2.29
Other	-0.05

Source: FactSet

For those investors considering international equity exposure for their portfolios, it is relevant to recognize that 40% of the revenues of companies included in the S&P 500 are generated by (non-U.S.) operations overseas. Also, the international revenue share is rising as U.S. companies recognize the expanding opportunities in fast growing foreign economies. This reliance of S&P 500 companies on overseas revenues also has implications for those investors who are looking to the S&P 500 index for pure domestic equity exposure.

Looking Ahead

As times change, so will the S&P 500 and its constituent companies. IBM, AT&T, and ExxonMobile once dominated the S&P 500, but are now just small pieces as companies like Amazon, Microsoft, Apple, and Google have taken over.

For investors, it is important to understand how the S&P 500 is built and how it changes over time, so you know the relative risk of the index and the role it plays in your overall portfolio allocations.

Principle Wealth Partners Continues to Grow!



We are pleased to announce that **Martin Wollack has joined the firm as Operations Manager.** Martin is responsible for new account openings, oversight of all client service processes, platforms, and our satellite offices. In addition, Martin assists the Compliance department with reviews and filings.

Martin has over 15 years of experience in the industry, holding positions primarily in operations and compliance.

Martin, his wife Michelle, and their two daughters live in Old Lyme, CT.



Kimberly A. LaFrenais has joined the firm as Director of Client Services.

Kim will oversee the client service team and will focus on providing dedicated client service. She has more than 14 years of financial services experience and earned her Series 7 and Series 66 licenses, as well as the State of Connecticut Insurance License.

Kim lives in Old Saybrook with her husband Michael and their Boston Terrier, Crosby. In her free time, Kim enjoys volunteering, cycling, gardening, cooking and collecting wines from all over the world.

We are thankful to the nation's veterans, all those who serve in the military and their families. **We salute you on Veterans Day, November 11th,** and appreciate you every day of the year!

Whether it's via Zoom or in-person, **this Thanksgiving we wish you a joyful day** of gratitude with friends and family and a delicious meal with all the trimmings.

Election Day Facts

By Megan Maruzo



Why is Election Day always a Tuesday in November?

In 1845, Election Day was designated as the Tuesday following the first Monday in November to allow farmers to get to the county seat to cast

ballots without interfering with church day on Sunday.

Can I run for president?

Article II, Section 1, Clause 5 of the U.S. Constitution has only three requirements for a president. You (1) must be at least 35-years old, (2) have lived in the United States at least 14 years, and (3) be a natural-born citizen.

Which president was the most popular?

George Washington is the only president ever elected unanimously. James Monroe was denied the equivalent of a no hitter, receiving all but one electoral vote in 1801, as a New Hampshire delegate wanted George Washington to be the only president elected unanimously. In 1824, John Quincy Adams was elected president despite not winning either the popular vote or the electoral vote. Andrew Jackson was the winner in both categories, but he didn't reach the majority 131 votes needed in the Electoral College to be declared president. In fact, neither candidate did. The decision went to the House of Representatives, which voted Adams into the White House.

Why winning Ohio is important

Since 1944, Ohio has voted for the winner at every election. The one exception? In 1960 when it chose Mr. Nixon instead of JFK. No Republican has ever won the presidency without winning Ohio.



How many presidents have we had?

Donald Trump is the nation's 45th president, but there have only been 44 presidents so far. Grover Cleveland is counted twice as the 22nd (1885-1889) and 24th president (1893-1897) because he was elected for two nonconsecutive terms.

The long and the short of it

The tallest U.S. president was Abraham Lincoln at 6'4". The shortest U.S. president was James Madison at 5'4".

Let's hear it for the ladies

Victoria Woodhull was the first woman to run for president in 1872, which was 50 years before women could vote in presidential elections. Hillary Clinton was the first woman to be nominated for president by a major party ticket in 2016.

What is with the animals?

The Democratic party began using the donkey as its symbol in 1828 when Andrew Jackson was the nominee. His opponent called him a "jack***" and Mr. Jackson started using it on campaign posters. Influential political cartoonist Thomas Nast then started using it regularly in his cartoons. Mr. Nast also helped popularize the elephant as the symbol of the Republican Party. He famously used it in an 1874 *Harper's Weekly* cartoon.

Election Day Facts, continued

And the winner is??

Even if the election is contested in court, the constitution ensures that the country will have a president on Inauguration Day. States have more than one month to count ballots and conduct recounts, if necessary; but their electoral votes must be cast on December 14.

Key dates between Election Day and Inauguration Day

- **November 3, 2020:** Election Day
- **November 4 – 23, 2020:** Deadlines to receive absentee and overseas ballots (varies by state)
- **November 5 – December 12, 2020:** Deadline to certify election results (varies by state)
- **December 14, 2020:** State electors cast their ballots; the candidate with 270 or more votes wins
- **January 6, 2021:** A joint session of Congress convenes, with Vice President Mike Pence presiding, to certify results
- **January 20, 2021:** The president and vice president are sworn in

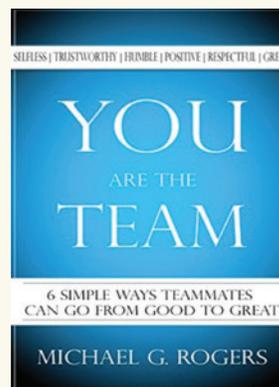
Sources: AP Election Services; National Archives

What happens if election issues still prevent a winner from being named?

The 12th Amendment dictates that the House of Representatives will select the president and the Senate will select the vice president. [Note: The only president selected this way so far was John Quincy Adams, in 1825.] If the House of Representatives has not elected a president by Inauguration Day, the 20th Amendment goes into effect and the vice president-elect acts as president until a president is picked. If there is no vice president selected by Inauguration Day, the Presidential Succession Act applies and the speaker of the House of Representatives, the Senate president or a Cabinet officer, in that order, would act as president until there's a president or vice president.

Looking for a Good Book?

The most recent selection for our firm's book club was *You Are The Team: 6 Simple Ways Teammates Can Go from Good to Great*. It was a perfect choice for us, as author Michael G. Rogers shares engaging, inspiring stories of working together, the importance of core values and service. He recommends relating each core value to people within your circle as a way to help the group develop new perspectives. It's a great read for book groups, colleagues, friends and families. We talked about the book and celebrated together at a fun-filled beach "Snack and Yak" dinner, complete with creative awards for all "the characters" and a lot of laughs. We highly recommend it as a quick but powerful read.



This book can inspire teams to:

- *work more selflessly and put the team first*
- *honor their commitments*
- *be honest but respectful in their communications*
- *take accountability for their actions*
- *celebrate successes and interact with gratitude*

Directory

670 Boston Post Road, Madison, CT 06443 Phone: 203.318.8892
20 Bay Street, Westport, CT 06880 Phone: 203.227.7156

Advisors



Bob Paolucci, CFP®
Founder | CEO
ropaolucci@principlewealthpartners.com
Ext. 102



Julina Ogilvie, CIMA®, CPWA®
Director | Business Development
jogilvie@principlewealthpartners.com
Ext. 123



John Hannigan, CFP®, CDFA®
Director | Financial Planning
jhannigan@principlewealthpartners.com
Ext. 103



Colin Dugan, CFP®
Wealth Advisor
cdugan@principlewealthpartners.com
Ext. 108

Compliance



Mike Castiello
Chief Compliance Officer
mcastiello@principlewealthpartners.com
Ext. 106

Research



Andrew Cialek
Director | Finance & Analysis
acialek@principlewealthpartners.com
Ext. 111

Operations



Katy Gemma, J.D., MBA, CTEP®
Managing Director
kgemma@principlewealthpartners.com
Ext. 110



Alissa Amara
Director | Operations
aamara@principlewealthpartners.com
Ext. 104



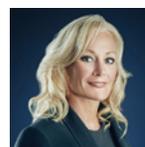
Megan O'Marra Maruzo, MBA
Relationship Manager
mmaruzo@principlewealthpartners.com
Ext. 112



Kim A. LaFrenais
Director | Client Services
klaFrenais@principlewealthpartners.com
Ext. 107



Martin Wollack
Operations Manager
mwollack@principlewealthpartners.com
Ext. 105



Denise Cote
Executive Assistant
dcote@principlewealthpartners.com
Ext. 101



Barbara Gambino
Executive Administrative Assistant
bgambino@principlewealthpartners.com
Ext. 109

Looking Back at 3rd Quarter 2020



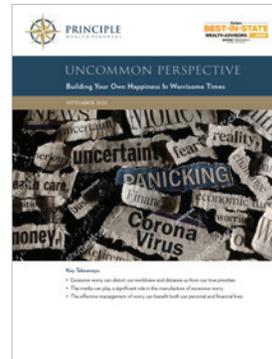
The Cares Act provides an explanation of the provisions included in the Coronavirus Aid, Relief and Economic Security (CARES) Act and what they may mean for investors.



Political Impact on the Markets offers investors thoughts on how the presidential election may affect the financial markets and how it should (or should not) influence investment decisions.



Market Review shows the returns of stocks and bonds through the second quarter of 2020, illustrates the benefits of diversification and provides insights on the historical



Uncommon Perspectives presents an analysis of worry, and how excessive worry can affect our world view and interfere with our financial lives, and the role the media plays in making us worry.



Economic Update suggests what recovery may look like after COVID-19 shutdowns drove the economy into recession, how the government has provided an



How to Retire with Confidence helps investors understand the roadmap to financial security, with steps to take to have the assets needed to enjoy a comfortable retirement.

unprecedented level of support and opportunities Principle Wealth Partners sees.

Watch your inbox for our upcoming conversation about **the election and the economy with Bob Stein, Deputy Chief Economist at First Trust Advisors.**

Principle Wealth Partners LLC is an SEC registered investment advisor. Advisory services are only offered to clients or prospective clients where Principle Wealth Partners and its representatives are properly licensed or exempt from licensure. For additional information, please visit our website at principlewealthpartners.com.

This document is for your private and confidential use only, and not intended for broad usage or dissemination.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your attorney or tax advisor.

The 2020 Forbes Best-In-State Wealth Advisors rankings

Out of 32,000 advisors nominated by their firms, 4,010 received the award. The 2020 Forbes Best-In-State Wealth Advisors rankings were developed in coordination with SHOOK research. This award is based on an algorithm of qualitative criterion for advisors who have a minimum of seven years of experience. This algorithm is qualitatively based, through due diligence reviews and quantitative data, factoring revenue trends, assets under management, compliance records, industry experience, and the encompassment of standards of preferred best practices. Portfolio performance is not considered as a part of the criteria. The Advisor does not pay Forbes or SHOOK in exchange for either the nomination or recognition. However, the Advisor does pay a fee for any marketing materials used that include the award's ribbon. Principle Wealth Partners is not affiliated with Forbes or SHOOK Research, LLC. This ranking is not indicative of an advisor's future performance, is not an endorsement, and may not be representative of individual clients' experience. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation.