CURRENTS SUMMER 2022

O'BRIEN WEALTH PARTNERS LLC SUMMER 2022

A TRIBUTE TO KARI MEKLER

It is with great sadness that we share the news of the passing of our dear colleague, partner and friend. Kari managed to accomplish a great deal in her short life and leaves a legacy to those who knew her. Her many hobbies included rowing, cycling, hiking, and camping. She walked three marathons raising money for cancer research. She also devoted her time to Sarah's Village, a non-profit organization dedicated to suicide prevention.

Kari left her mark on our firm as well. She was with us for 28 years and contributed greatly and in many ways during her time with us from the structure and processes she created, to all the events she planned, to the work ethic she modeled. What we will remember most is her dedication to her work, her attention to detail, the care she put into getting it right, and the fact that we could always count on her. Her greatest legacy is the family she leaves behind. Kari will be deeply missed.

THE S OF ESG: INVESTING WITH SOCIAL CONCERNS IN MIND

By Lauren Higgins and Jonathan Smith

ESG investing, or investing with Environment, Social, and Governance-related issues in mind, has gained momentum in the past few years – allowing investors the opportunity to align their investments with their values. Aligning your investment goals with your values can be powerful, whether it means divesting from fossil fuels, investing in clean energy or "green" companies, or avoiding companies with poor board composition and oversight. Over the last year, the "Social" component of ESG has gained attention in the wake of racial tensions, the pandemic, and gender inequality. Investors and asset managers looking to incorporate a social lens are focusing on workplace diversity and inclusion, pay disparity and fair wages, treatment of employees and other stakeholders (customers, local communities), and human rights. In this article, we will take a closer look at how the "Social" element came into high focus and ways in which management advocacy is helping to advance more sustainable practices.

Global trends can emphasize investment opportunities. In 2021 and early 2022 we saw a shift in power away from employers and towards employees. During this time, employees left their jobs at a record pace, with some opting for early retirement while others were able to negotiate higher wages, better working conditions, and flexible work environments with new employers. This period, dubbed the "The Great Resignation and The Great Reassessment", presents a risk to employers. Employee turnover can cost a business roughly one third of the employee's salary. Attracting and retaining talent has never been more important, and investors are keen to see businesses adapt their hiring processes and improve benefits to mitigate the risk of turnover. One way for companies to outperform their peers is to understand the link between their long-term performance and social metrics such as employee retention.

The global pandemic highlighted many areas of inequality in our world. This spans from racial disparities in pay to fair and non-discriminatory workplace environments to gender progress setbacks. These issues have gone unresolved for years and many investors would like to see corporations be more accountable to current issues and more progressive in correcting them.

The fund managers we are using in our ESG portfolios consider social issues in a variety of ways, from direct engagement to the analysis of business risks and opportunities. Calvert Investments, a firm we partner with, consistently pushes company leaders to provide more meaningful disclosures regarding their social metrics.

In 2021, Calvert reached out to the largest 100 companies in their portfolio requesting they make public their EEO-1 Reports, which document a company's workforce in terms of racial and gender diversity. By asking these companies to make the annual report public, as well as their pay disparity statistics, Calvert hoped to get a clearer picture of the diversity measures being taken by companies beyond broad corporate goals and statements. This information, and the transparency it provides, is an important is an important step in improving workplace diversity which may in turn lead to financial outperformance and stronger hiring and retention practices.

> "Over the last year, the "Social" component of ESG has gained attention in the wake of racial tensions, the pandemic, and gender inequality."

Two of our international managers, Baillie Gifford and Matthews Asia, take a different approach to the S factor of ESG, focusing on the risks and opportunities of businesses acknowledging social issues. In their due diligence, Baillie Gifford noted that a pharmaceutical company operating in India had produced a widely used blood oxygen measurement tool that was returning inaccurate results for patients of different skin tones. Because the company did not include racially diverse subjects in their testing and had little diversity in their design team, Baillie Gifford noted that this could be a potentially significant business risk and made the analysis of diversity in product development a key investment consideration for future investments.

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Lauren Higgins, CFP®, CIMA®
Senior Advisor
Principal

Jonathan Smith
Investment Research Analyst

O'BRIEN
IN THE NEWS:

- Congratulations to **Brenna LaPierre** on her CFP® designation as well as the purchase of her first house!
- Official welcome to **Addy Magee** as our new Client Solutions Specialist. You may remember her from her Northeastern co-op last year.
- **Jill Fopiano** was quoted in the following articles:
  - a. Business Insider article by **Aly J. Yale** titled Women Invest Less Than Men. Here's How to Fix That in March 2022.
  - b. GOBankingRates article by **Christian Long** 7 Easy Ways Every Boomer Can Catch Up on Retirement Savings in January 2022.
  - c. NextAdvisor article by **Harlan Vaughn** The Best Investments for Beginners in 2022 in January 2022.
- **Austin Litvak** was quoted in this International Business Times article by **Panos Mourdoukoutas** titled Apple's Wall Street Rally — Will It Last? In February 2022.

5 QUESTIONS ABOUT… LONG-TERM CARE PLANS

By Gina Coletti

1. Who needs a long-term plan and why?

The short answer is everyone needs a long-term care plan. As we continue to live longer, the likelihood of having a major prolonged health event is common for most Americans. These events are costly and financially draining if we are not prepared. Having a long-term care plan can help alleviate the financial burden of this event. Being financially prepared allows you to focus your energy on your mental and physical wellbeing.

2. What are the different types of long-term care plans?

There are 3 common strategies to consider when creating a long-term care plan:

a. Traditional long-term care insurance – these are offered through several insurance providers

b. Hybrid long-term care/life insurance – you can purchase a traditional life insurance policy with a long-term care rider

c. Self-insurance – your savings, investments, and/or equity in your home can be used to finance the plan

3. When is the best time to put your long-term care plan in place?

Traditionally it is best practice to establish your long-term care plan in your early 60s; however, it is truly dependent on your personal health. If you decide to put an insurance plan in place, you want to explore this option before your health starts to decline. These plans can be costly, so self-insuring has become more popular in recent years.

4. What does long-term care insurance cover that Medicare does not?

Primarily, long-term care insurance is designed to help pay for the costs of custodial and personal care, versus strictly medical care provided by Medicare. A long-term care insurance policy pays for the cost of care due to a chronic illness, disability, or injury. It also provides an individual with the assistance they may require as a result of the general effects of aging.

5. What should you be aware of when considering purchasing a long-term care insurance policy?

When determining if a long-term care insurance policy is right for you, you should consider the following elements. First, the cost of the policy and how it may affect your cash flow is very important. Second, it is essential to consider the reputation and rating of the insurance company issuing the contract. Third, make sure to evaluate the various elements of the contract, such as any inflation provisions, daily coverage amounts, waiting periods, and how many years the policy will cover you. Finally, it is essential to note that in order to qualify to use your long-term care insurance, individuals must be unable to perform 2 of the 6 activities of daily living – bathing, dressing, toileting, eating, transferring, and continence.

Gina Coletti, CTFA

Senior Advisor

GROWTH IS GOOD…. GAINS ARE GOOD TOO

By Tim Pilczak

We navigate our financial lives with few certainties. Paying taxes is one of them. Most activities related to earning money involve paying taxes, including your investments. As you know, when you realize gains on your portfolio, you pay a portion of that gain to the IRS and to most states. While paying taxes means you have earned money, most would not put that into the "pro" column, particularly when those taxes occur during a declining market.

There are two ways you experience capital gains in your portfolio. The first – which we can control – is when we sell a fund in a taxable account. The second – which we do not control – is capital gains distributions from trading activity that occurs in the funds you invest in.

We realize capital gains when implementing investment decisions in taxable accounts. These decisions include maintaining long-term asset allocation targets (e.g. selling high and buying low), adjusting for shifts in the economic outlook, and in response to individual fund manager performance. We also realize gains when meeting cash flow needs from those same accounts.

While the tax implications are an important consideration for potential investment changes, our primary goals are to increase portfolio value and mitigate portfolio risks. Investment opportunities and risks are constantly evolving. Having the flexibility to adjust portfolio holdings over time in response to that evolution provides us with the ability to keep portfolios as closely aligned as possible with the long-term goals of financial plans.

There are few instances where you can earn money without paying taxes and investing is no exception. And unlike other income sources, you do keep a larger amount of the gains when they are long term in nature and are therefore taxed at lower rates. Capital gains taxes are incurred when profits are recognized. We do not want to wait for those profits to shrink simply to reduce the tax bill.

When we do reinvest capital gains proceeds, it may seem as though taxes are being paid on something you never physically see, unlike a paycheck. This becomes even more difficult when the market is declining. That is why it is important to remember the power of compounding growth and that the realization of gains allows you to experience return percentages on larger sums of money.

The following table illustrates the point. From 2001-2020, a diversified 60% stock and 40% bond portfolio that never rebalanced returned roughly 5.8% per annum. As you can see, that portfolio lagged that of the other two sample portfolios, which rebalanced over that time period (using separate methodologies).

60-40 Portfolio (1/1/2001 - 08/31/2020)	Annualized Return
Without rebalancing	5.78%
Stock/Bond rebalance with a 5% drift	6.17%
Sub-class rebalance with a 5% drift	6.30%

Stock consists of the following sub-classes: 60% Russell 3000 Index, 35% MSCI EAFE Index, and 5% MSCI EM Index. Bond consists of the following sub-classes: 50% Bloomberg US Government Bond Index, 25% Bloomberg US Corp Bond Index, and 25% Bloomberg US MBS Index.

Market pullbacks like we are experiencing now and experienced during 2020 and other market declines present potential opportunities to harvest capital losses that can be used to reduce future tax bills. We will continue to recognize these opportunities to the extent they are available in meaningful amounts.

From a cash flow planning standpoint, clients often rely on funds from taxable accounts to supplement their income needs in a tax-efficient way – whether that be for a large purchase, bridging the period between retirement and taking Social Security, or as a supplement to Required Minimum Distributions from retirement accounts. Realizing capital gains on an annual basis allows investors to pay a portion of the tax burden each year rather than leaving all the gains to be paid at the exit point. This allows you to spread the tax burden over the life of the investment.

Just remember, gains are good – it means you made money! Realizing gains locks in the profits from an investment and puts those proceeds back to work in new opportunities as they come available. A large part of successful long-term investing is to have the discipline to stick to your asset allocation in both rising and declining markets.

If you have any questions, please reach out to your advisor.

Tim Pilczak, CFP®, EA

Senior Advisor

Disclosures:

1. Registration with the SEC should not be construed as an endorsement or an indicator of investment skill, acumen or experience.
2. Investments in securities are not insured, protected or guaranteed and may result in loss of income and/or principal. Diversification does not eliminate the risk of market loss and a long-term investment approach cannot guarantee a profit.
3. This communication may include opinions and forward-looking statements. All statements other than statements of historical fact are opinions and/or forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," and "expect"). Although we believe that the beliefs and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such beliefs and expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those discussed in such forward-looking statements. All expressions of opinion are subject to change. You are cautioned not to place undue reliance on these forward-looking statements. Any dated information is published as of its date only. Dated and forward-looking statements speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any dated or forward-looking statements.
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7. Industry registrations, designations, recognitions or awards should not be construed as an endorsement or a recommendation to retain the Adviser by the granting entity or any regulatory authority.
8. Any ESG-based investments are made through third-party managers and their respective strategies. O'Brien does not manage the third-party strategies and does not have any control over the underlying investments chosen by the third-party managers. O'Brien, based on reasonable due diligence and representations, relies on the screening processes of third-party managers.

U.S. POPULATION GROWING AT ITS SLOWEST PACE SINCE THE NATION'S FOUNDING

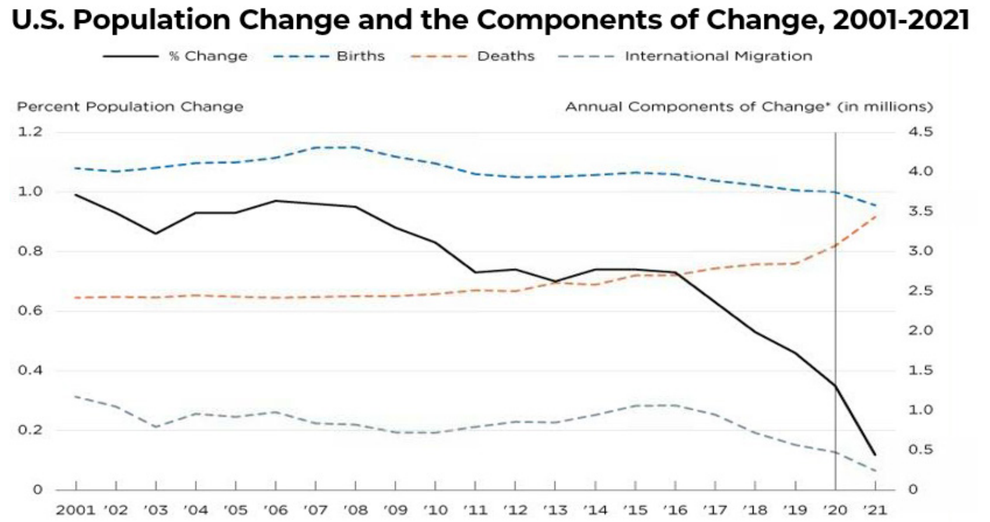
By Austin Litvak

The U.S. Census Bureau made an eye-opening announcement right before Christmas last year that appears to have flown under-the-radar amid the highest inflation in 40 years, uncertainty over how the Federal Reserve will respond, and the outbreak of war in Ukraine.

The U.S. population grew at its slowest pace in 2021 since the nation's founding 245 years ago.

Declining birth rates (blue dashed line below), rising mortality rates that have been exacerbated by COVID (gold dashed line), and a collapse in net immigration (dashed gray line) has left population growth at its slowest pace on record. For the first time since 1937 the U.S. population grew by fewer than one million people.

U.S. Population Change and the Components of Change, 2001-2021



*Components of change include births, deaths, and net international migration. Note: Only data to the right of the line are from Vintage 2021. Source: U.S. Census Bureau, O'Brien Wealth Partners, as of 12/31/21.

This collapse in population growth comes on the heels of an already slowing growth trend (black line above) and has potentially important, and underappreciated, implications for the outlook for the economy, financial markets, and how we as investors build portfolios. To better understand those implications, we examine below how population trends impact economic growth drivers over multiple time horizons.

Let's start with the potential secular (think next decade) implications. Over long periods of time there are two primary drivers of economic growth: population and productivity. How many workers will you have and how productive will they be. Slowing population growth is a direct headwind to the long-term growth potential for the economy.

Slower economic growth also correlates with slower corporate profit growth. And corporate profit growth is a key driver of stock market returns.

Slower economic growth also correlates with lower starting interest rates, and therefore subdued future returns for bonds. It also limits the ability of bonds to mitigate portfolio losses during stock market selloffs, as lower starting rates means less room for rates to fall – and prices to rise – during selloffs.

In sum, weaker population growth implies the potential for more subdued long-term returns for U.S. stock and bond markets, and less diversification benefit from owning both at the same time.

At the same time, fewer workers means fewer people contributing to social safety nets, such as Social Security. Based on current projections – and absent meaningful legislative changes – the Social Security Old-Age and Survivors Insurance Trust Fund will be depleted in 2033. At that point, benefits paid to existing and future recipients would immediately decline by roughly 25%.

Let's turn now to the cyclical (think next several years) outlook, which is less driven by demographics and productivity and more by corporate profit, credit, inventory, public policy, and labor market cycles. Weaker population growth could create additional headwinds for those nearer-term economic drivers.

Today's job market is tight – there are currently almost two job openings for every unemployed worker in America. The size of the working age population (i.e. between 16 and 64) has shrunk as millions of people that were working pre-COVID remain on the sidelines. While a significant portion of those may return once COVID fades in importance, millions more have likely permanently retired. Labor markets will remain tight and wage pressures could remain elevated as a result. Higher labor costs tend to weigh on corporate profitability.

Absent significant immigration reform, these dynamics are unlikely to change anytime soon. Indeed, the Census Bureau recently projected that by 2034 the number of Americans 65 and older would outnumber children for the first time in the nation's history .

Slowing population growth suggests investment opportunities and risks going forward could be quite different than those we have invested in over the past several decades. But keep in mind that different – while uncertain – is not necessarily synonymous with bad. For example, higher wage growth would be a step towards starting to remedy income inequality. And while the demographic backdrop may be less bright, there is always the potential that productivity growth spurred by technology advances – the other part of the secular growth equation as well as a contributor to corporate profits – could improve and partially or even fully offset these economic and market pressures.

As the world continues to provide challenges, it is important that we can prepare for things we can control. Regular reviews of your financial goals, asset allocation, and your ability and willingness to take on risk to meet your goals is important to be sure you continue to stay on track. Please contact your advisor team if you would like to discuss these topics in more detail.

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1 https://www.census.gov/library/stories/2021/12/us-population-grew-in-2021-slowest-rate-since-founding-of-the-nation.html

2 Source: U.S. Bureau of Labor Statistics, O'Brien Wealth Partners, as of 12/31/21.

3 Source: OECD, IHS Markit, O'Brien Wealth Partners, as of 11/30/21.

4 https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1144.pdf

Austin Litvak,
CFA, CFP®, CBE®, CAIA

Director of Investment Research

TAKE A CLOSER LOOK...

Austin Litvak,
CFA, CFP®, CBE®, CAIA

Director of Investment Research

What did you do before O'Brien?

I spent the first half dozen years of my career as an economist in the investment industry, where I was responsible for analyzing economic trends for numerous cities, states, industries, and countries. I then spent two years working in the energy sector as a consultant for the investment industry while also pursuing a Master of Science in Investment Management at Boston University. Since graduation, my career transitioned into my passion for roughly the past decade – using my macroeconomic background to identify investment opportunities for clients. At the same time, I have continued to enhance my investment knowledge through several industry certifications, including the Chartered Financial Analyst (CFA), CERTIFIED FINANCIAL PLANNER (CFP)™, Chartered Alternative Investment Analyst (CAIA)®, and Certified Business Economist (CBE)® designations.

What drew you to O'Brien?

I have experienced a wide variety of firm cultures in my career and the work environment cultivated here is second to none. My colleagues are wonderfully talented individuals and the team-oriented approach to success makes for an incredibly rewarding experience. I also tremendously enjoy the opportunity to meet with clients on an ongoing basis and seeing their progression toward achieving their financial goals over time.

What is your role?

As Director of Investment Research, I play a key role in the design and implementation of your investment strategy, including macroeconomic analysis, asset allocation, and fund level research, as well as portfolio construction and trade implementation. My team and I work closely with your advisor team to ensure that your investment portfolio is designed in a way that gives you the best opportunity to achieve your financial planning goals. I also share our investment outlooks with clients via joining their advisor meetings, as well as authoring regular investment commentary.

Tell us more about you...

I grew up outside of Kalamazoo (it does exist!) in southwest Michigan, as well as Milan, Italy. Upon graduating from Kalamazoo College, I became an economic refugee from the Midwest and moved to the East Coast, living outside Philadelphia, in Manhattan, and now the Boston suburbs. I currently live in Hopkinton with my wife and three daughters (ages seven, five, and one year old). When I am not enjoying the sleep deprivation that comes with having a twelve-month-old, I coach my older daughters' soccer teams, spend time with family, pleasure read about history, enjoy the emotional highs of Buckeye football, and suffer the emotional lows of Detroit Lions football.

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THE S OF ESG *(continued from page 1)*

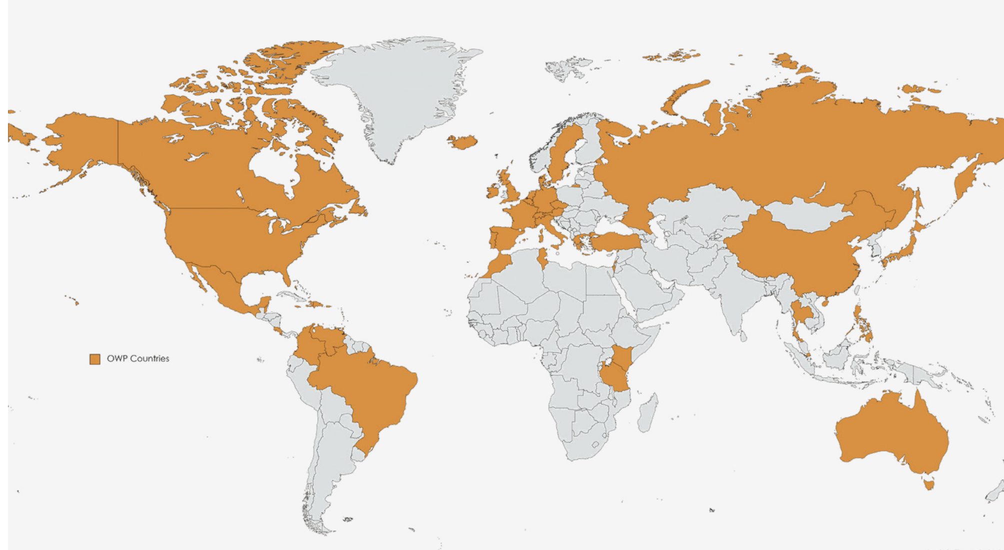
Matthews Asia, one of our emerging market managers, saw the unaddressed social concerns of financial inclusion in developing countries as a potential investment opening. Their financial sector investments provide significantly more exposure to microfinance and small and medium-enterprise loans than the broader benchmark they track, as they see these markets as an untapped opportunity ignored by larger benchmark holdings in less-developed countries.

Beyond the underlying holdings, we seek managers for our sustainable portfolio that reflect best practices within their own business. One example of this is Baird Asset Management, who runs our municipal bond fund. Baird has won numerous awards for their engagement with the LGTBQ+ community, women in finance, and next-generation associates. Through these efforts, Baird aims to broaden the financial world to a number of underserved groups, attract top talent, and ultimately create a diverse team of decision makers, recognizing the potential for greater long-term growth.

Analyzing social metrics is still a budding area when it comes to investing in financial markets. As key performance indicators are further developed and standardized and we see more widespread transparency, the space will continue to offer investors additional ways in which to measure non-financial risk and opportunities. We continue to seek ways to improve the "social metrics" within our sustainable portfolio through manager selection and engagement as well as within our own firm. In conjunction with environmental and governance criteria, our ESG portfolio seeks to connect investors' investment goals with their personal values.

O'Brien Trivia:

Can you guess how many countries have been visited by OWP staff?



See www.obrienwp.com for answer.

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