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TRUST COMPANY

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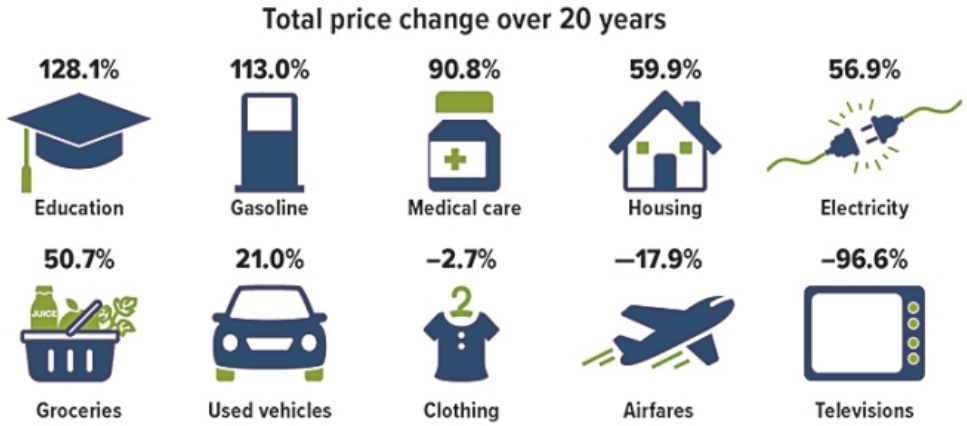
5.4%

Rise in CPI-U over the 12 months ending September 2021. This matched June and July 2021 as the largest 12-month increase since the year ending August 2008. By contrast, the average annual increase for the 20-year period ending September 2021 was just 2.2%.

Source: U.S. Bureau of Labor Statistics, 2021

Two Decades of Inflation

After being largely dormant for the last decade, inflation roared back in 2021 due to various factors related to the pandemic and economic recovery. For perspective, it may be helpful to look at inflation over a longer period of time. During the 20-year period ending September 2021, the Consumer Price Index for All Urban Consumers (CPI-U), often called *headline inflation,* rose a total of 53.8%. While the prices of some items tracked the broad index, others increased or decreased at much different rates.



Source: U.S. Bureau of Labor Statistics, 2021 (data through September 2021)

P/E Ratios Offer Multiple Perspectives on Value

Many factors go into decisions on buying or selling shares of a particular stock, but the price/earnings (P/E) ratio can be a helpful starting point for evaluating whether a company's stock is under- or overpriced. The P/E ratio is calculated by dividing a stock's current price per share by the company's earnings per share over a 12-month period. This ratio quantifies what investors may be willing to pay for one dollar of earnings.

For example, a P/E of 20 means an investor would pay $20 for every $1 the company earns over the 12-month period. By this standard, a stock with a P/E of 25 could be considered more "expensive" than a stock with a P/E of 20, regardless of the share price. A higher multiple also indicates that investors may expect higher growth from the company compared to the overall market.

Past and Future

There are two main types of P/E ratios. *Trailing P/E* is based on the company's actual reported earnings per share for the previous 12 months. Because earnings are reported quarterly, that part of the equation will generally remain the same for the entire three-month period, but the stock price may change every trading day.

Forward P/E is based on the company's projected earnings over the next 12 months. The forward P/E can also fluctuate with stock prices and as earnings projections are updated.

Trailing P/E is generally considered a more objective metric than forward P/E, because earnings projections are essentially opinions that may not turn out to be accurate. However, some investors prefer to focus on forward P/E, because a company's past performance may have little to do with its future prospects.

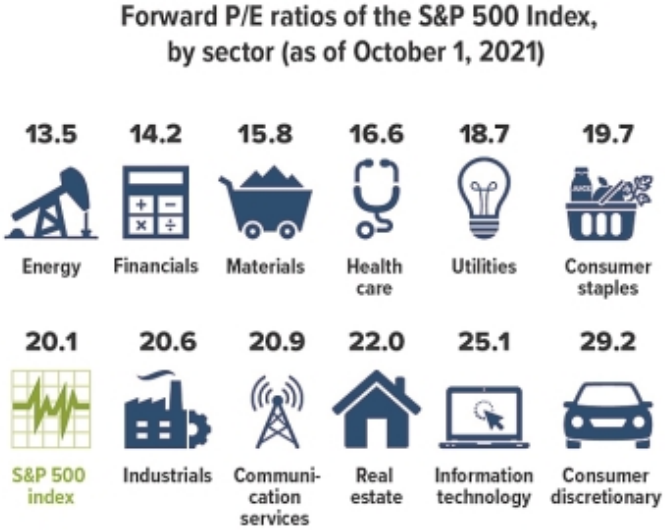
Use Ratios Wisely

Knowing a company's P/E ratio may provide some insight, but only if you use it to make appropriate comparisons. It is generally more meaningful to compare ratios of companies in the same industry or one company against the industry average. This is because P/E ratios can vary widely among industries and may also change for an entire industry as it faces challenges or goes in or out of favor with investors.

You might also compare a company's current and past performance, but keep in mind that P/E ratios typically rise and fall with stock prices; if prices rise and earnings stay about the same, P/E ratios increase, and vice versa. So an increase or decrease in a company's P/E ratio that moves with the broader market may not tell you much about the company's performance.

On the other hand, a substantial change in a company's P/E ratio that is not in step with the market could be caused by an unexpected increase or decrease in reported or projected earnings, or by a shift in investor confidence in the company.

Different Industries, Different Ratios



Source: FactSet, October 1, 2021. The S&P 500 is an unmanaged group of securities that is considered to be representative of the stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. A portfolio invested only in companies in a particular industry or market sector may not be sufficiently diversified and could be subject to a significant level of volatility and risk.

As of October 1, 2021, the average forward 12-month P/E ratio for stocks listed in the S&P 500 was 20.1. This is significantly higher than the five-year average of 18.3 and the 10-year average of 16.4.[1] But that may or may not mean that the market as a whole is overpriced.

It's possible that earnings projections could be off by a wide margin — and that P/E ratios could be more difficult for investors to interpret — until the disruptive effects of the pandemic are well behind us. In fact, it's generally a good idea to consider additional types of data, such as dividends and longer-term growth expectations, when evaluating potential stock investments.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

1) FactSet, October 1, 2021

Charitable Giving Can Be a Family Affair

As families grow in size and overall wealth, a desire to "give back" often becomes a priority. Cultivating philanthropic values can help foster responsibility and a sense of purpose among both young and old alike, while providing financial benefits. Charitable donations may be eligible for income tax deductions (if you itemize) and can help reduce capital gains and estate taxes. Here are four ways to incorporate charitable giving into your family's overall financial plan.

Annual Family Giving

The holidays present a perfect opportunity to help family members develop a giving mindset. To establish an annual family giving plan, first determine the total amount that you'd like to donate as a family to charity. Next, encourage all family members to research and make a case for their favorite nonprofit organization, or divide the total amount equally among your family members and have each person donate to his or her favorite cause.

When choosing a charity, consider how efficiently the contribution dollars are used — i.e., how much of the organization's total annual budget directly supports programs and services versus overhead, administration, and marketing. For help in evaluating charities, visit the Charity Navigator web site, charitynavigator.org, where you'll find star ratings and more detailed financial and operational information.

Snapshot of 2020 Giving

Despite the pandemic and economic downturn, 2020 was the highest year for charitable giving on record, reaching $471.44 billion. Giving to public-society benefit organizations, environmental and animal organizations, and human services organizations grew the most, while giving to arts, culture, and humanities and to health organizations declined.

Source: Giving USA 2021

Estate Planning

Charitable giving can also play a key role in an estate plan by helping to ensure that your philanthropic wishes are carried out and potentially reducing your estate tax burden.

The federal government taxes wealth transfers both during your lifetime and at death. In 2021, the federal gift and estate tax is imposed on lifetime transfers exceeding $11,700,000, at a top rate of 40%. States may also impose taxes but at much lower thresholds than the federal government.

Ways to incorporate charitable giving into your estate plan include will and trust bequests; beneficiary designations for insurance policies and retirement plan accounts; and charitable lead and charitable remainder trusts. (Trusts incur upfront costs and often have ongoing administrative fees. The use of trusts involves complex tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax professionals before implementing such strategies.)

Donor-Advised Funds

Donor-advised funds offer a way to receive tax benefits now and make charitable gifts later. A donor-advised fund is an agreement between a donor and a host organization (the fund). Your contributions are generally tax deductible, but the organization becomes the legal owner of the assets. You (or a designee, such as a family member) then advise on how those contributions will be invested and how grants will be distributed. (Although the fund has ultimate control over the assets, the donor's wishes are generally honored.)

Family Foundations

Private family foundations are similar to donor-advised funds, but on a more complex scale. Although you don't necessarily need the coffers of Melinda Gates or Sam Walton to establish and maintain one, a private family foundation may be most appropriate if you have a significant level of wealth. The primary benefit (in addition to potential tax savings) is that you and your family have complete discretion over how the money is invested and which charities will receive grants. A drawback is that these separate legal entities are subject to stringent regulations.

These are just a few of the ways families can nurture a philanthropic legacy while benefitting their financial situation. For more information, contact your financial professional or an estate planning attorney.

Bear in mind that not all charitable organizations are able to use all possible gifts, so it is prudent to check first. The type of organization you select can also affect the tax benefits you receive.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Four Basic Principles of Financial Literacy

It is widely recognized that financial literacy impacts a person's overall economic success. In fact, studies have shown that individuals who are exposed to economic and financial education at an early age are more likely to exhibit positive financial behaviors when they are older (e.g., maintaining high credit scores, accumulating wealth). As a result, many states are requiring high school students to take a course in either economics or personal finance before they graduate.[1]

Whether you are just starting out and beginning to manage your own finances or simply want to stay on top of your current financial situation, it's important to always keep these basic principles of financial literacy in mind.

1. Create a budget and stick with it. A budget helps you stay on track with your finances. Start by identifying your income and expenses. Next, compare the two totals to make sure you are spending less than you earn. Hopefully, your budget is still on the right track. If you find that your expenses outweigh your income, you'll need to make some adjustments. Finally, while straying from your budget from time to time is normal, once you have a solid budget in place it's important to try to stick with it.

2. Set financial goals. Setting goals is an important part of life, particularly when it comes to your finances. Short-term goals may include saving for a new car or building an emergency fund, while long-term goals may take more time to achieve (e.g., saving for a child's education or retirement). Over time, your personal or financial circumstances will most likely change, so you'll need to be ready to make adjustments and reprioritize your goals as needed.

3. Manage your credit and debt. Reducing debt is part of any healthy financial plan. Whether you have student loan debt, an auto loan, and/or a credit-card balance, you'll want to pay it down as quickly as possible. Start by tracking all of your balances while being mindful of interest rates and hidden fees. Next, optimize your repayments by paying off any high-interest debt first and/or taking advantage of a debt consolidation/refinancing program.

4. Protect yourself. When it comes to insurance coverage, are you adequately protected? Having the appropriate amount of insurance to help protect yourself against possible losses is an important part of any financial strategy. Your insurance needs will depend on your individual circumstances and can change over time. As a result, you'll want to make sure your coverage properly aligns with your income and family/personal circumstances.

[1] 2020 Survey of the States, Council for Economic Education