New England Capital Financial Advisors
Independent Objective Advice

NEW ENGLAND CAPITAL FINANCIAL ADVISORS, LLC

Registered Investment Adviser

79 Main Street, Meriden, CT 06451-5118, (203) 935-0265, Fax: (203) 935-0266

www.newenglandcapital.com

December 2019

Dear New England Capital Clients:

All of us at New England Capital Financial Advisors would like to take this opportunity to wish you and your family a very happy holiday season and a very healthy safe and prosperous New Year. It is one of our greatest pleasures to exchange season's greetings and thank those whose friendship and goodwill are so highly valued.

In addition to the financial planning work done by our Certified Financial Planners in the office, another main activity we do is investment management. At this time of the year, the list we make and check twice for both our broker/dealer clients and our investment advisory clients is our Required Minimum Distribution (RMD) list. It's not quite a "naughty or nice" list, but it could have very bad consequences. For example, we review our client lists to see who needs to take required distributions from their retirement accounts to make sure the minimum amount required by the Internal Revenue Service has been distributed. If the required amount has not been taken, the IRS penalty is **50%** of what should have been taken. That's a tremendous penalty we want you to avoid!

For our advisory clients we will make changes to our managed portfolios as we constantly search for the best and most appropriate mutual funds, exchange traded funds and other investments for the achievement of your goals. We also look for tax loss harvesting opportunities where we can offset potential capital gains with any capital losses that may have occurred. We also will typically rebalance your advisory accounts annually that our in our model portfolios.

Rebalancing your advisory accounts through our managed portfolios means we will typically sell enough of a fund or funds which have appreciated the most and buy a fund or funds that have appreciated the least or even depreciated. I've had some clients ask me why we rebalance at all. There are two reasons:

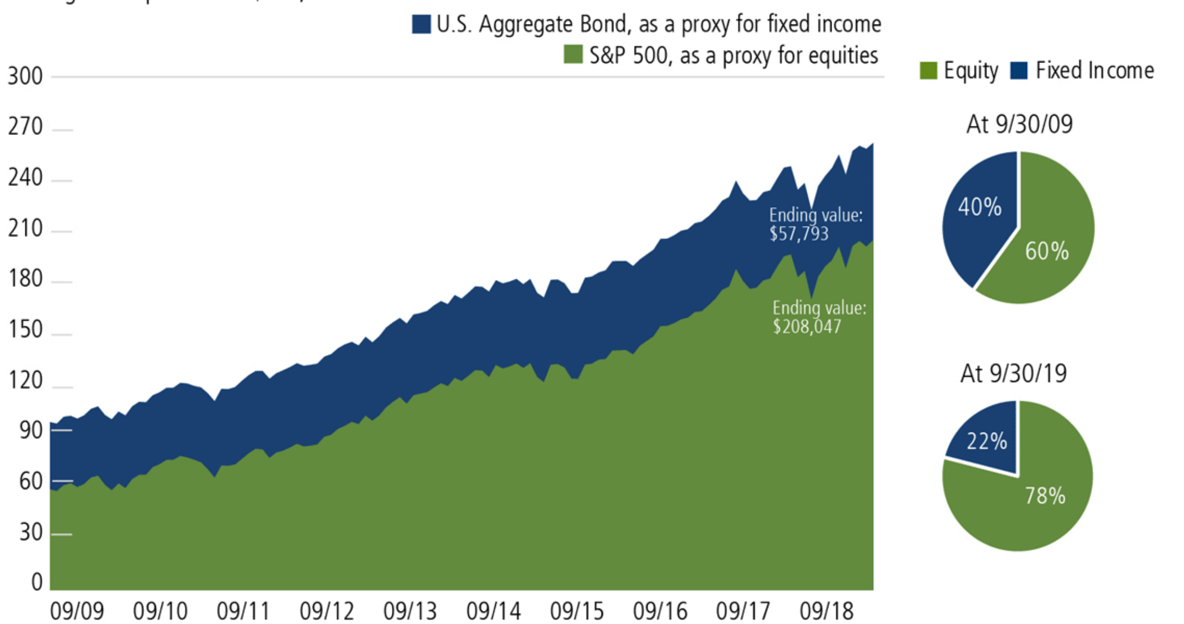
- Rebalancing forces us to "buy low and sell high". This is something we all want to do but rebalancing systematically provides the way to do this.
- Rebalancing assures the maintenance of proper allocation of asset classes (think stock verses bonds). It also allows us to remain consistent to the investment policy and risk tolerance you wanted.

For example, if you invested $100,000 with an allocation of 60% stock funds and 40% bond funds about 10 years ago (September 30, 2009) and didn't rebalance, your allocation would now be 78% stock funds to 22% bond funds. Using the Standard and Poor's 500 as our stock position and the Barclay's Aggregate Bond as our bond position, you can see in the charts below the drift caused by market fluctuations. Due to not rebalancing your account, volatility increased by 34%, the average loss increased by 46%, the average drawdown increased by 40% and the maximum drawdown increased by 50%.

HOW A 60/40 PORTFOLIO BECAME 78/22 IN THE LAST 10 YEARS

% of TOTAL MARKET VALUE

Starting with a portfolio of $100,000 on 9/30/09



Past performance is no guarantee of future results.
Source: Morningstar. The **S&P 500 Index** is generally considered representative of the U.S. stock market. The **Bloomberg Barclays US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

As you now see we rebalance because we prefer to maintain proper risk exposure for you. Our goal is not just to gain the most during the good times but potentially protect the downside, which is just as important.

If you have questions or need to share any changes that would affect how we should manage your account, please call us for a review.

Happy Holidays from all of us at New England Capital

Chris B Chris

Lindsey Darren Ann

Matt Jay

Debby Michelle maggie