

SUMMER 2023

INNOVIEWS



Making Retirement Work

INNOVEST'S LATEST UPDATES AND ARTICLES FROM THOUGHT LEADERS IN THE FIRM

IN THIS ISSUE

Financial Wellness: Nurturing a Healthy Relationship with Money

Wall Street Conflicts were the Catalyst to Form Innovest

Innovest on Mission: Mercy Housing

Cyclical Markets: Predictable Unpredictability

Employee Spotlight: Peter Mustian

Around the Firm

NEW INSTITUTIONAL CLIENTS

Catholic Charities of Denver

City of Grand Junction

Washtenaw Community College

It is not known whether the listed clients approve or disapprove of the services provided. The new clients on page one are listed with their approval and permission.

Financial Wellness: Nurturing a Healthy Relationship with Money



Rick Rodgers, AIF®
Principal



Natalie Kuzia, M.S.
Analyst Assistant

In today's fast-paced world, time is a precious commodity. With various demands competing for our attention, it is easy to overlook the importance of planning for our financial future. Whether it is buying a home, starting a family, or preparing for retirement, these goals require a solid understanding of our finances. Unfortunately, the overwhelming nature of financial management often leaves individuals feeling stuck or avoiding financial planning altogether.

Financial wellness encompasses the overall financial health of an individual, covering a wide range of topics. While some aspects like budgeting and retirement savings are familiar, others, such as estate planning,

debt management, and insurance, can be more complex and daunting. However, the significance of financial wellness cannot be overstated. Surveys show that finances consistently rank as the top stressor for American households.

According to the 2023 PwC Employee Financial Wellness Survey, over 50% of employees reported that financial stress negatively affected their mental health and sleep, while more than 40% experienced negative effects on their physical health and relationships at home. Surprisingly, even individuals earning \$100,000 or more annually reported elevated levels of financial stress, with over 45% expressing concern about their finances. Likewise, the

Continued on Page 2

BrightPlan 2023 Wellness Barometer Survey indicates financial stress is at an all-time high, with employees suffering from such stress losing an average of 11 hours per week in productivity at a cost of over \$4 billion in lost productivity for employers. The study also confirmed that employees expect to receive financial wellness resources and benefits at work, with 9 out of 10 respondents stating the same. Fortunately, employer-sponsored financial wellness programs are having a positive impact on their employees, with the majority indicating they would work harder, feel more financially secure and be more engaged and productive.

As an employer, it is crucial to recognize the impact of financial stress on employees and their work. Financial stressors contribute to decreased productivity, reduced engagement, and higher turnover rates. Prioritizing financial wellness is essential not only for employees' personal lives but also for their performance in the workplace.

The good news is that resources are available to support employees in achieving financial wellness. As a retirement plan sponsor, you can take various initiatives to enhance employee participation, such as implementing easy or automatic enrollment into retirement plans, as well as automatic contribution increases. Additionally, participants may already have access to financial wellness tools through your recordkeeper, including one-on-one meetings and educational webinars. However, it is important to evaluate these services carefully, as some may generate revenue for the recordkeeper and may not be suitable for all participants, such as managed accounts, wealth management, and financial planning services. Recordkeeper sponsored services may also forward participant information to other providers, such as life insurance providers, without the participant's knowledge.

Another approach for plan sponsors is to direct employees to free resources that provide valuable financial education. Organizations like the Institute for Financial Literacy, the Council for Economic Education, and the Consumer Financial Protection Bureau offer a wealth of

resources, worksheets, and tools that participants can utilize.

The Institute for Financial Literacy is a nonprofit organization with a mission to promote effective financial education and counseling. Their website hosts various forms and worksheets, covering budgeting resources and financial goal planning. Additionally, they provide educational resources like glossaries, best practice guidelines, and important websites.

The Council for Economic Education focuses on equipping K-12 students and families with the tools and knowledge of personal finance and economics. By empowering individuals to make better decisions for themselves, their families, and their communities, this organization contributes to overall financial wellness.

The Consumer Financial Protection Bureau is another valuable resource offering guides and educational materials to assist with financial decisions. Whether it is buying a house, paying off debt, planning for retirement, or funding education, their resources provide essential guidance.

Employers can make a significant impact by actively promoting these resources and encouraging employees to engage with them. By prioritizing financial wellness, employers demonstrate their commitment to employees' overall well-being and foster a culture that values financial literacy. Integrating financial education programs into employee benefits packages can also be an effective strategy. This might include seminars, workshops, or even partnering with financial experts who can provide personalized guidance to employees. By investing in their employees' financial knowledge and skills, organizations can contribute to a healthier and more productive workforce.

In conclusion, financial wellness plays a vital role in our personal and work lives. By recognizing the importance of financial wellness and offering resources, employers can take proactive steps to support their employees in achieving a healthier relationship with money.

"As an employer, it is crucial to recognize the impact of financial stress on employees and their work. Financial stressors contribute to decreased productivity, reduced engagement, and higher turnover rates. Prioritizing financial wellness is essential not only for employees' personal lives but also for their performance in the workplace."





← 22-51
WALL ST

Wall Street Conflicts were the Catalyst to Form Innovest



Richard Todd
Principal, CEO, and Co-founder



Wendy Dominguez, MBA
Principal, President, and Co-founder

It should be no secret that many of the investment managers, funds, and products that are utilized by advisors at Wall Street banks are also clients of that same Wall Street firm. These firms can be active clients on the proprietary trading desk, are buying research, are sub-advisors to their funds, and are banking and lending clients, just to name a few. The passing of the Dodd-Frank Act, which was signed into law in 2010, allows banks to be in nearly all lines on financial services. Consequently, conflicts of interest are very rampant on Wall Street.

Conflicts of interest were also very prevalent in 1996 and were the catalyst for the founding of Innovest as an independent, fee-only firm with no conflicts of interest.

Working for a regional Wall Street bank at the time, our unit was providing investment consulting to a large union pension plan. Our advice to the client, based on our research, was to terminate a poorly performing investment manager that also had qualitative problems. As a consequence, the president of our Wall Street bank informed us that the manager that we were terminating from the portfolio on behalf of the pension plan client, was the single largest trading client

of our Wall Street employer. He encouraged us to forgo our fiduciary responsibility to the client and retain that manager for the sake of the shareholders.

Without hesitation, we continued with the manager termination but the response by the firm certainly turned our stomachs. We concluded that leaving the Wall Street employer was the best action for our clients and our team. Our view was that being compromised was not fair to our clients and was in conflict with our values.

Hence, Innovest was created! We negotiated an amicable separation with the Wall Street firm and started a fee-only firm with around 25 clients with assets of just over \$250 million, 5 employees, and the need to grow to survive. We were convinced that being a fiduciary to our clients was our only route.

Our 27 years have been terrific thanks to our wonderful clients and great Innovest team. Today, we have over 300 clients with assets of over \$35 billion and 60 employees. We are committed to our original fee-only and fiduciary structure which is the only way that we can truly commit to our Innovest culture of stewardship.



We've Rebranded Our Community Service Initiatives!

Innovest is built on the foundation of stewardship, the careful and responsible management of something entrusted to one's care. It is the fabric of our culture and demonstrated daily in our firm.

Innovest on Mission describes our purpose of being sent out to positively shape and transform our world. All of our efforts unite to the same mission of doing the right thing for our clients, coworkers, and the community around us. *Innovest on Mission* captures our objective of intentionally upholding stewardship, integrity, and authenticity.

We actively give back to our community, but we believe that our mission of stewardship goes beyond our charitable efforts. Rather, it encompasses everything we pursue.

Nonprofit Spotlight: Mercy Housing

As a provider of investment advice to numerous nonprofit organizations, Innovest has the privilege of introducing you to some of our fantastic clients. This month we are proud to feature Mercy Housing.

Mercy Housing, the country's largest nonprofit for affordable housing, builds and provides affordable homes with onsite Resident Services for people with low income. Mercy Housing, founded by the Sisters of Mercy, has affordable housing communities across 21 states, where 43,000 residents call it home. These communities offer a range of programming, classes, and events focused on Financial Literacy, Health & Wellness, Out-of-School Time activities for youth, and more.

Founded in 1981, Mercy Housing believes that housing justice is social justice. The organization lives by the values of respect, justice, and mercy for over 40 years. Mercy Housing's mission is to develop, finance, and operate affordable, program-enriched housing for families, seniors, people with special needs, and people exiting homelessness who lack the economic resources to access quality, safe housing opportunities.

There are several ways to support Mercy Housing. Learn more about how to give by visiting www.mercyhousing.org/give-help. Mercy Housing has actively worked to address the shortage of affordable housing across the country. Every day, the organization strives to achieve more than constructing buildings – they aim to build communities in cities like San Francisco, Seattle, Chicago, Denver, and Atlanta, where every person has the tools to live up to their full potential.



Cyclical Markets: Predictable Unpredictability

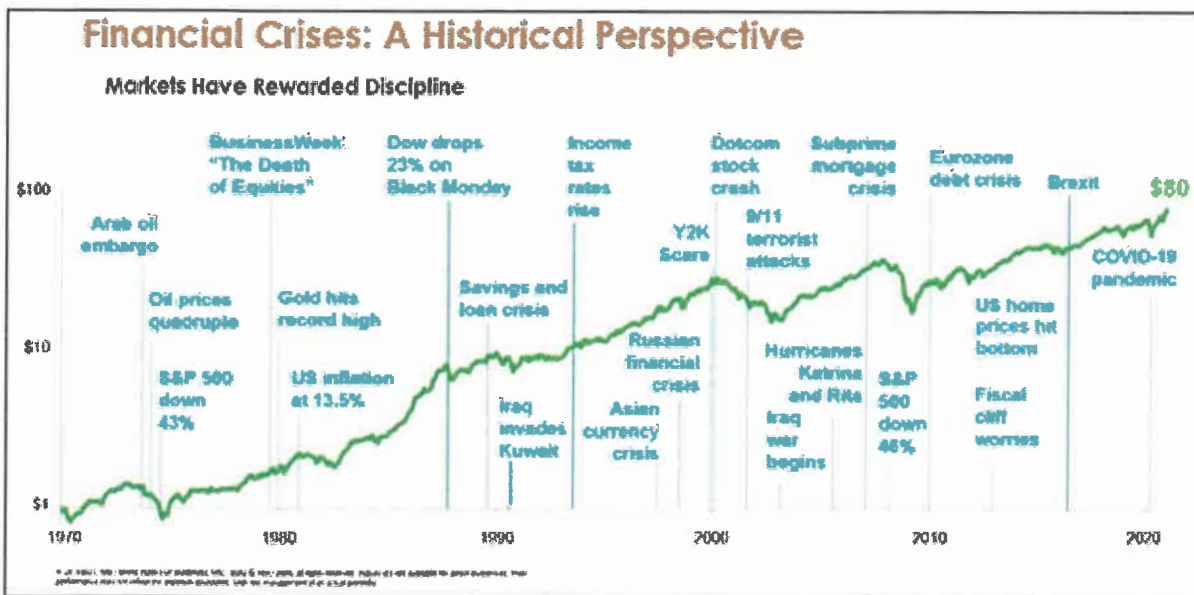


Frank Cornett, CFP®
Vice President

It would be an understatement to say that Americans and broader the population worldwide have experienced several significant events with a profound impact on their lives. Advisors and economists often field questions around prediction of the next economic decline or recession. The Y2K scare, 9/11, the DotCom crash, the global recession of 2008, and, most recently, the COVID-19 pandemic are each etched in our individual and collective memory. Apprehension that the next recession will have as much impact as these events is pervasive.

“But it’s different this time…”

To illustrate how these predictably unpredictable events affect investors, consider this popular chart depicting the growth of the world stock market from 1970 to 2020. The data incorporates major headlines from the period that may lead one to assume that [insert each event here] will trigger an economic decline, prompting individuals to safeguard their finances and avoid the stock markets.



That desire for safety is understandable, but we can challenge this line of thinking by examining the events on the chart starting from the mid-1990s, then working backward, drawing comparisons to our present-day news cycle.

Let us start with the rise in income tax rates in the mid-1990s. It is worth noting that unless legislative action is taken, our current income tax rates are set to increase at the beginning of 2026 upon expiration of the 2017 tax act. Under this scenario, the 12% tax bracket will rise to 15%, the 22% to 25%, the 24% to 28%, and so on. Continuing the headlines, as of early 2022 and ongoing, the world faces geopolitical risk with Russia's invasion and ongoing war with Ukraine, echoing the Iraqi invasion of Kuwait in the early 1990's. Defaults of Silicon Valley Bank and First Republic Bank in the spring of 2023 created concerns about potential ripple effects within our current banking system, similar to the Savings and Loan crisis of the late 1980s and the Global Financial

Crisis of the late aughts. Although the stock market in 2022 did not experience an event on par with Black Monday, the S&P 500 saw 87% of trading days with swings of 1.0% or greater and the VIX volatility index remained above 20 for over 91% of trading days, indicating significant stock market upheaval.

The echoes do not end there. Inflation has been the most prominent headline item since the beginning of 2022, reminiscent of the late 1970s and early 1980s. Since the start of 2022, the Federal Reserve has raised rates to unprecedented levels to curb the current inflation, mirroring the approach taken in 1980 to combat inflation. That led to the highest 30-year fixed mortgage rate of 18.63%, in October 1981. While gold prices may not be in the headlines, Bitcoin has risen by 83.88% from January 1, 2023, to July 1, 2023, consistently generating inquiry to if Bitcoin can be an investment alternative. Continuing through the chart, the decline of the NASDAQ by 33% in the calendar year 2022 falls short

of, but does emulate, the S&P 500's 43% fall from 1973 to 1974. Although they have not quadrupled, as oil prices did from 1973 to 1980, gas prices in the United States have increased by 67% from January 2015 to June 2023.

Examples abound that connect these historical events to more recent developments. Arguably the most noteworthy headline from the referenced chart is the August 13, 1979 BusinessWeek declaration of "The Death of Equities: How Inflation is Destroying

the Stock Market." Shortly after this publication, spurred by the Federal Reserve's implementation of a rate hike cycle: the S&P 500 delivered an annualized return of 17.88% from 1980 to 1999, while international stocks yielded an annualized 14.26% return, and the US Aggregate Bond Index achieved a 10.04% return during that same period.

Importantly, past performance does not guarantee future results. Nonetheless, it is crucial for prudent advisors and investors to remain disciplined and focus on long-term goals instead of day-to-day or even quarter-to-quarter news cycles. As we ask ourselves, "Is it different this time?" Undoubtedly. There will always be distinct global variables and events that shape our outlook and viewpoint. However, adopting a broader perspective may help alleviate anxiety and uncertainty. As credited to Jean-Baptiste Alphonse Karr, a French journalist and novelist, "plus ça change, plus c'est la même chose": the more things change, the more they stay the same.

Building Relationships that Produce Results

Innovest helps our family and high net worth individual clients through a unique wealth management perspective, experienced team, custom portfolio solutions, and uncommon service.

Employee Spotlight: Peter Mustian

Where is your hometown?

I was born in Sterling, Colorado but have lived in the Boulder area since I was two years old.

Tell us something unique about you.

While I am not particularly musical; I enjoy studying and practicing Byzantine chant.

What do you like best about working at Innovest?

I love Innovest's culture and mission of stewardship. We have a tremendous team that seeks to serve our clients, community, and each other. We have a strong vision and recognize the importance of our culture, hard work, and humility as keys to success. We also have dedicated and servant leaders with shared values and sense of purpose.

How do you give back to the community?

I serve my local Church in variety of ways. I also serve as a board and investment committee member for a religious organization. I am part of a steering committee planning to open a classical elementary school in the northern metro area.

What are your hobbies and interests?

I have three children, so my hobbies are their hobbies. My two sons participate in football, basketball, and swim almost year-round. My daughter swims, dances and is learning tennis.

Tell us about your family.

I am very blessed to have a wonderful wife Amira and three children, David (11), George (9), and Sophia (5). My wife and I are also very close to our parents who live near us. We spend a lot of time with our parents, siblings, and extended family.

What is your favorite dessert?

My wife and her family make incredible Middle Eastern and Greek desserts. It's hard to pick just one. My kids love Sweet Cow Ice Cream, and we enjoy going there as a family.



Around the Firm

Promotions & Team Updates

We have some exciting updates to share regarding our incredible team at Innovest! First and foremost, let's extend a warm welcome to Jason Romero, our newest team member who has joined us as Vice President. We are also delighted to announce the well-deserved promotion of Franklin Cornett, CFP®, to the position of Vice President. Throughout his time with us, Frank has consistently demonstrated a deep commitment to our clients, our team, and our mission of stewardship. We take great pride in having him as part of our leadership team. In addition to these exciting updates, we are thrilled to welcome a talented group of summer interns who have joined us at Innovest. Welcome to Parker Cadieux, Nick Domek, Ian Gilbert, and Jack Roode.

Innovest Vice President, Brett Minnick, CFA recently passed the third and final level of the CFA program. Brett's dedication and hard work have been instrumental in our success, and we congratulate him on this significant accomplishment. Furthermore, we are proud of Jose Huerta, our intern and a recent graduate of Arrupe Jesuit High School, for being awarded one of the prestigious Daniels Scholarships for the Class of 2023. This is a remarkable achievement, and we commend Jose for his dedication and excellence.

Lastly, we would like to recognize the outstanding individuals within our team who embody our core mission of stewardship. In April, Christine Attai received the Service to Others monthly award, and in

May, the honor went to Natalie Kuzia. Their exemplary contributions and unwavering commitment to our shared values serve as an inspiration to our team.

Awards & Publications

Innovest recently received recognition from *ColoradoBiz* Magazine as one of the prestigious 2023 Colorado Companies to Watch (CCTW) award winners. Out of a staggering 1,050 nominations, CCTW meticulously selected 50 exceptional companies as finalists. Furthermore, Innovest proudly secured a place among the top 25 Denver-Area Corporate Philanthropists, as recognized by the esteemed *Denver Business Journal* in 2022. This acknowledgment is truly an honor for Innovest.

Innovest Vice President Paul D'Alessandro recently published three thought-provoking articles in *NonProfitPRO*, "Demystifying the Overreliance on Tax Filings as Predictive of Future Results," "Why Impact Investing is Better for Social Good," and "The Donor-Centered Approach to Major Gift Fundraising." Innovest Principal Sloan Smith's article, "Hot Spot: Private Equity Secondaries," provides valuable insights and was published in the *Citywire* Due Diligence Report in April. Additionally, Innovest Principal Steven P. Fraley, CFA, and Vice President Nancy Rimington's collaborative article, "Hard Landing, Soft Landing, or No Landing at All?," was recently featured in *Advisor Perspectives*.



Thanks for 27 years!

Innovest celebrated 27 years of bringing custom, innovative solutions to our clients with authenticity and expertise on July 1, 2023. Innovest would like to thank our clients, friends, and family who have supported us all these years!

Service in the Community

Innovest has been proud to support the mission of Arrupe Jesuit High School for nearly a decade. With a bold vision to strengthen the competence, confidence, and aspirations of their students by offering a college preparatory education and a unique Corporate Work Study Program, Arrupe Jesuit is changing the educational game. Innovest has been proud to have over 20 students work at the firm over the years, giving the students real-world career and work opportunities that we hope will encourage them to find and pursue their unique calling.

Innovest actively volunteers to support impactful organizations. This quarter, we assisted Food Bank of the Rockies in supporting the mission of nourishing those facing hunger and volunteered at Food For Thought Denver, which combats childhood hunger by providing PowerSacks to students. We also supported Rosie's Ranch, who fosters inclusive therapeutic riding for children with and without special needs. Additionally, we planted flowers at the historic Central City Opera House, an organization that celebrates the performing



arts in a scenic Colorado mountain setting. At Innovest, we believe making a difference requires active involvement. We prioritize providing our employees with opportunities to actively engage with and serve our community.

Conferences, Speaking, Events, & Sponsorships

As a proud sponsor of the Christian Leadership Alliance conference in Chicago, Innovest had the privilege of supporting the event. Sloan Smith delivered a compelling talk on "Building a Biblically Responsible Portfolio," while Nancy Rimington provided an insightful "Economic Update - Looking Ahead in 2023 and Beyond: Key Implications for Portfolio Design."

In Ft. Lauderdale, FL, Innovest Principal Rick Rodgers, AIFA®, participated as a panelist at the Institutional Investor Retirement Plan Advisory Summit. The discussion focused on "Staying Ahead of the Game" and best practices that incorporate valuable lessons from litigation.

Furthermore, Innovest Director and Principal Sloan Smith, CAIA, CPWA® hosted a webinar featuring Steve Nesbitt, Chief Executive Officer of Cliffwater LLC, where they discussed opportunities in private debt.

In Washington, DC, Innovest Principal Paul Nacario attended the 2023 NAGDCA Industry Roundtable. This significant event centered around critical legislative, administrative, and strategic issues faced by DC plans in the public sector. Innovest proudly sponsored the fundraising luncheon "My Bold Future" for Girls Inc. of Metro Denver, an organization that inspires girls to be strong, smart, and bold. In Arizona, Innovest sponsored the Not-for-Profit Conference organized by the Arizona Society of CPAs. This conference provided CPAs with cutting-edge industry updates, and we were delighted to be a part of it. Finally, Principal Paul Nacario represented Innovest at the 2023 State of Arizona Professional Firefighters Annual Convention. This convention, organized by the Professional Fire Firefighters of Arizona, is dedicated to caring for past, present, and future firefighters.

The Rocky Mountain Nonprofit Conference, a highly successful in-person event, received tremendous support from Innovest, along with co-sponsors Kunding, Corder & Montoya, P.C., and AmPhil.



At Innovest Portfolio Solutions, we are more than an investment firm. We are thoughtful stewards responsible for our clients, professionals and community.

Colorado • Arizona • California • Florida | www.innovestinc.com | 303.694.1900

Unless explicitly stated to the contrary, the material herein is not intended to provide and should not be relied on for investment advice. Under no circumstances does Innovest ever provide tax, accounting, or legal advice.

The statistical analysis contained herein was prepared by Innovest Portfolio Solutions LLC and may contain data provided by Investment Metrics, LLC, Thomson Reuters Upper, Morningstar, Inc., and other sources. These materials may also include information, returns, and valuations that were compiled, computed or created by Standard & Poor's Financial Services LLC, MSCI Inc., and other sources. These materials and the information that they contain are intended solely for the use of the intended recipient(s). They may not be reproduced or distributed without written consent.

Reasonable care has been taken to ensure the accuracy of the computer software, databases, and information described in the preceding paragraph. Innovest assumes no responsibility for the accuracy of these computer software, databases or information. All are provided on an "as is" basis and the user assumes all risk related to using it. There is no guarantee of accuracy, adequacy, or completeness. All entities identified in this disclaimer hereby expressly disclaim any and all express or implied warranties. None of these entities, nor any affiliate or other person involved in compiling, computing, or creating this information, may be held liable for damages of any type or any other costs or fees related to any person's use of the data.

Returns included in these materials may represent mutual funds share classes or vehicles other than those in which clients are or may be invested. Typically, any differences are the result of efforts to present the longest track record of the investment strategies.

Assumptions, opinions, and forecasts herein constitute Innovest's judgment and are subject to change without notice. Past performance is no guarantee of future results. The investment products discussed are not insured by the FDIC and involve investment risk including the possible loss of all principal.

Innovest is an independent Registered Investment Adviser registered with the Securities and Exchange Commission. Copyright 2019 by Innovest Portfolio Solutions LLC Inc.

Principals

Richard Todd, CEO
Wendy Dominguez, President
Bill Fender
Peter Mustian, COO
Steven Karsh
Garry Beaulieu
Gordon Tewell
Nancy Swanson
Kristy LeGrande
Jared Martin
Sloan Smith, Director
Rick Rodgers
Pam Cruz
Paul Nacario
Troy Jensen
Steven Fraley, Director