

Investment Thoughts

Dear Client,

*"People vote not out of love, but fear
Philip Anthony Hopkins as Richard M. Nixon in "Nixon"*

With the first Presidential debate having occurred last night, election season has officially arrived. Based on the client conversations we're having, the upcoming election assumed the driver's seat in voters' minds weeks ago. Elections are important events that do have wide ranging implications, and therefore it is encouraging to us to hear how seriously you, our clients, are taking the decision. But we are a divided nation and few issues of significant impact appear open to compromise. This reality is what leads to the conversations we have been having with you, and the most frequently asked question of: "What happens if my candidate loses?"

Buttonwood Partners is officially apolitical. That is not because we don't have opinions, or that we believe blindly agreeing with every client position makes good business sense. Believe me, we have fascinating, far-reaching and occasionally intense conversations within our office walls. We are apolitical because it is not our job to talk about who we like, or think will do a better job, or who we want to win. It is our job to be a good ship captain for your finances – to objectively assess the current situation, to pay attention to the forecast, to steer your portfolios towards calm waters, take advantage of a wind at our back whenever possible and, when necessary, to navigate safely through unavoidable storms.

This navigational duty remains our primary responsibility no matter who resides in the White House or which political party is in power. And it is a challenge we are determined to succeed at. In order to do that, we look at the data, continue to think long-term and adjust course as needed. The key phrase being "as needed," for the captain who changes course too frequently typically pulls into harbor well behind the one with a steady hand. In the coming weeks and months, we will strive to remain that steady hand when it comes to charting your financial course.

This quarter's featured article offers a perspective on past presidential elections and their impact on the market, while also sharing insights on the possible outcomes in 2020 and what the potential investment implications might be. Take a look and call us to discuss further.

As we reviewed the piece, we found it helpful to remind ourselves of the "looming storm clouds" that have gathered ahead of each of the elections we've experienced professionally. If we're being honest, the conversations have followed a fairly similar pattern every four years for as long as we can remember (and certainly since I joined Buttonwood in 1997), with at least one side of the political aisle – if not both – predicting catastrophe if the other side won. As illustrated within the article,



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Special points of interest

- Not able to make an appointment during the work day? The sidebar on page 2 has alternative times to see Greg and Jodie.
- Introducing a new software for account aggregation! Details on page 6.
- A brief history of Buttonwood Partners as we celebrate our 30th anniversary on page 8.

Need an After Hour Appointment?

Upcoming opportunities:

Greg

Wednesday Evenings

**Available 4 pm, 4:45 pm,
5:30 pm and 6:15 pm**

October 23

November 18

December 16

Jodie

Saturday Mornings

**Available 9 am, 10 am and
11am**

October 10

November 7

December 12

Office Closures

Buttonwood Partners Inc. will be closed on the dates below to allow our employees to celebrate with their families.

November 26

Thanksgiving

November 27

Closed at Noon CST

December 24

Closed at Noon CST

December 25

Christmas

January 1

New Year's Day

Dear Client Continued

Continued from page 1)

the long-term market impact of those fears tends to be much more muted than generally anticipated in the lead-up to the election.

Over the past 20 years we have experienced control by both political parties, tax increases and decreases, interest rates rising and falling, regulations becoming more restrictive as well as being eased. We have seen war, a housing crisis, the loss of the AAA-rating on our national debt and now a global pandemic. And yet the American economy has proven incredibly resilient, and the companies that make up the U.S. stock market have proven adept at adjusting to these ever-changing conditions. It is important not to lose sight of that fact during the runup to this current election cycle.

Whatever the outcome of the election, we know that we will face new challenges in the coming four years. There will be periods of strength as well as weakness in the stock market. But we remain confident that charting the proper course will find you docking safely at your destination...and on schedule.

While there are many issues that divide us, we hope one that can unite us is the importance of our democracy. Whether one votes Republican or Democrat, out of love or out of fear, it simply makes us happy when Americans participate in the process. Please take advantage of your opportunity to vote in 2020 – and in every election from here on out.

Stay Well,

Greg, Jodie and Chris

Happy Anniversary Buttonwood!



We are very proud that 2020 marks the 30th anniversary of Buttonwood Partners – and grateful to be celebrating it with you. We invite you to learn more about the firm's history (on pages 7-8) and how Chris and I became a part of it for the past 23 years, but want to take this opportunity to thank the members of our team that have helped make it happen: Shelby (since Day 1), Tami (23 years), Jodie (16), Andrea (13), Linda (9), Whitney (2) and Katie (almost 1!). We wouldn't be writing you today without their invaluable contributions toward making Buttonwood Partners what it is today.

Last but certainly not least, we want to thank you, our clients, for your trust and support over however many of those 30 years we have worked together. You have played a vital role in allowing us to design a practice we are extremely proud of, and that we hope has played a valuable role in allowing you to take pride in your financial journey. We will never stop striving to provide (and even improve upon) that high level of support that you expect from us.

With much appreciation,
Greg, Jodie and Chris

Election Watch: What the U.S. Race Means for Investors

By Matt Miller, Clarke Camper and Regan Anderson

Capital Group/American Funds

Heading into 2020, there was little doubt that the U.S. presidential election would be the biggest story of the year. The coronavirus pandemic drastically changed that narrative, pushing the election aside as a health care crisis triggered the worst economic downturn since the Great Depression.

With the election now less than 100 days away, however, investors are turning their attention back to the November 3 ballot. Amid rising COVID-19 infections, a battered economy and civil unrest in several U.S. cities, President Donald Trump is trailing former Vice President Joe Biden by a wide margin in major polls.

Many pundits are predicting defeat for the president, but it's far too early for investors to anchor on that outcome, says Capital Group veteran political economist Matt Miller.

"We have more than three months to go before the election. That's a lifetime in politics," Miller says. "Given the rapid pace of developments and a compressed news cycle, we could have many turns of the wheel between now and November. In my view, the race will tighten as the Republican and Democratic campaigns shift into overdrive."

Election scenario planning

For long-term investors, the outcome mattered as much as staying invested and maintaining a diversified portfolio. Markets have tended to power through presidential elections — with some volatility along the way —

regardless of whether a Democrat or Republican won the White House.

That said, election scenario planning plays a role in macroeconomic analysis, particularly in recent years as governments have increasingly intervened in the financial markets during times of crisis.

Excluding a contested election — which is certainly within the realm of possibility — here's a brief look at four scenarios that could play out in November and potential implications for investors.

Scenario 1: Democratic sweep

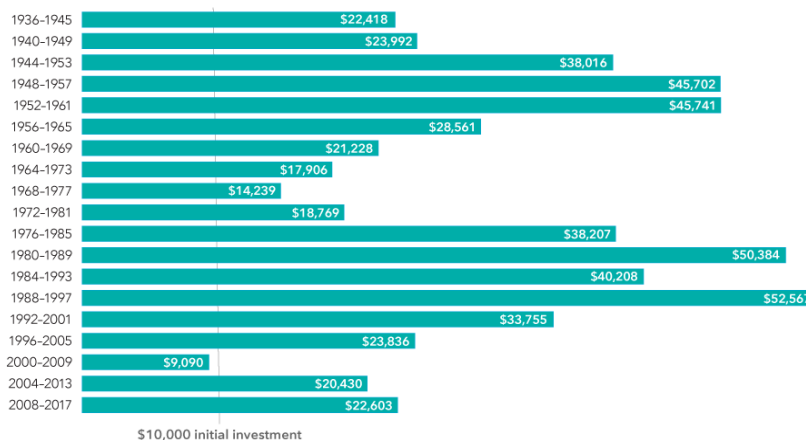
Democrats win the White House, the Senate and maintain control of the House — otherwise known as a "blue wave." This scenario would produce the greatest degree of political change, starting with the likely reversal of Trump's policy agenda on many fronts, including taxes, immigration and regulation.

One result could be a full or partial rollback of the Tax Cuts and Jobs Act of 2017, which included significant tax reductions. Overall corporate tax rates declined from 35% to 21%, providing a major boost to corporate earnings. A full or partial reversal would have the opposite effect, prompting investors to take that into account when estimating the overall corporate earnings outlook.

"We would see a much bigger emphasis on taxation and regulation across the board, with significant implications

Continued on page 4)

Growth of hypothetical \$10,000 investment made at the beginning of an election year
S&P 500 total ending value 10 years after the start of a presidential election year



Source: Thomson InvestmentView. Each 10-year period begins on January 1 of the first year shown and ends on December 31 of the final year shown. For example, the first period listed (1936-1945) covers January 1, 1936, through December 31, 1945.

Election Watch

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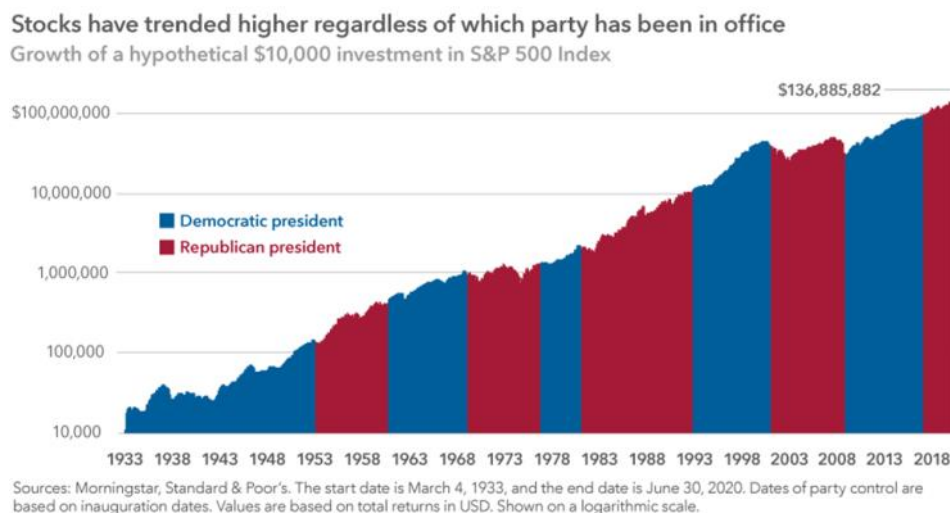
for the energy sector, telecommunications and technology companies,” Miller explains. “We could also see the elimination of the filibuster in the Senate, which, unlike today, would allow legislation to pass with a simple majority vote.”

Scenario 2: Gridlock

Biden wins the White House; Republicans maintain control of the Senate. This outcome would likely result in a gridlock scenario where it could be difficult to pass major legislation. Senate Republicans could block major Democratic initiatives, much as they did during the second term of the Obama presidency.

“In this case, I think we would see Biden governing through executive orders,” says Clarke Camper, head of government relations in Capital Group’s Washington, D.C. office. “There would be a great deal of pent-up frustration on both sides of the aisle. That’s an easy outcome to predict, though, perhaps not as easy to live with.”

Under this scenario, federal regulatory agencies would also likely exercise more power. From a financial markets perspective, that could mean more aggressive enforcement by the Securities and Exchange Commission, as well as a renewed policy push by the Department of Labor in connection with its oversight of employee retirement plans.



Scenario 3: Status quo

Trump wins reelection, and Republicans keep the Senate. This scenario involves the least amount of change since it is, indeed, where we are today. The House is likely to remain in Democratic hands, so the current environment of political confrontation would continue — along with the rancorous attempts to approve COVID-19 relief legislation, including the \$2 trillion CARES Act.

“Regardless of who is in the White House in January, there's going to be a lot of post-COVID cleanup work to do,” explains Reagan Anderson, a senior vice president with Capital’s government relations team. “Today we are in stabilization mode, and we will hopefully be moving into recovery mode by 2021.”

Scenario 4: Unlikely split

Trump wins reelection, and Democrats take the Senate. This scenario could set the stage for even greater hostility than we’ve seen in the past two years. While such an outcome is theoretically possible, it’s unlikely given the political dynamics of key Senate races, which increasingly track the presidential vote in each state.

“For instance, if Republicans lose key Senate races in Arizona, Colorado, Maine and North Carolina, then that’s clearly indicative of a ‘blue wave,’” Miller explains. “It’s hard to imagine Trump winning the White House if that happens.”

Either scenario involving Trump’s reelection raises another risk: If he wins without a majority of the

Election Watch

popular vote as he did in 2016, Miller warns, that could lead to more civil unrest and further demands to abolish the Electoral College.

Investment implications

Election season can be a tough time for investors to maintain a long-term perspective, given the strong emotions often evoked by politics. Campaign rhetoric tends to amplify negative and divisive issues. This election, in particular, is unprecedented in modern times — marked by the combination of a deadly pandemic, a global economic recession, widespread civil unrest and extreme market volatility.

Moving to the sidelines would be an understandable approach for anxious investors who prefer to wait and see what happens. As history has shown, however, that is often a mistake. What matters most is not election results, but staying invested.

Consider the historical performance of the Standard & Poor's 500 Composite Index over the past eight decades. In 18 of 19 presidential elections, a hypothetical \$10,000 investment made at the beginning of each election year would have gained value 10 years later. That's regardless of which party's

candidate won. In 15 of those 10-year periods, a \$10,000 investment would have more than doubled. While past results do not guarantee future returns, election-year jitters should not deter investors from maintaining a long-term perspective.

The only negative 10-year period followed the election of George W. Bush in the year 2000. During that decade, the S&P 500 posted a negative return amid two seismic events: the 2000 dot-com crash and 2008 global financial crisis.

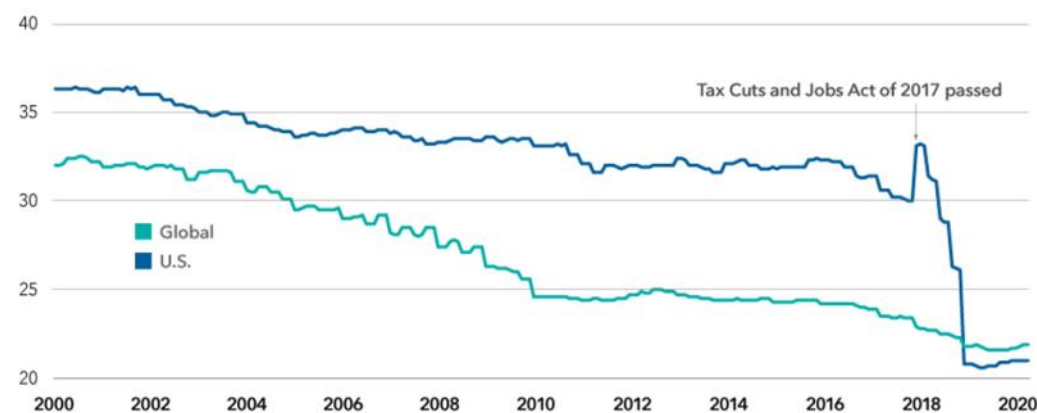
In contrast, the biggest election year return would have been in 1988, when George H. W. Bush won office, and \$10,000 would have grown to \$52,567 by the end of 1997.

By design, elections have winners and losers, but the real winners have been investors who stayed the course and avoided the temptation to time the market.

*Reprinted with permission from Capital Bank and Trust.
<https://www.capitalgroup.com/advisor/insights/articles/election-watch-2020.html>*

After a steep drop in 2018, corporate taxes could be headed higher

U.S. and global median effective tax rates



Sources: Capital Group estimates, Standard & Poor's. As of 4/30/20. The global universe includes 12,963 companies. The U.S. subset of the universe includes 3,122 companies.

Trust Beneficiaries and the SECURE ACT

New rules and their effect on trusts as beneficiaries

In our newsletter from the first quarter of 2020 we covered some important provisions of the SECURE Act, the congressional measure passed in December 2019 that altered the way IRA's receive contributions and require distributions. For instance, the Act raised the beginning age for required minimum distributions (from 70 ½ to 72) and removed the age limit for contributing to an IRA (as long as you are still working).

One of the aspects of the SECURE Act that didn't garner as much attention as it should have was the altering of the distribution rules for IRA beneficiaries. With all that 2020 has served up since, that oversight has only been exacerbated. However, given the significant estate planning implications for many IRA owners, we want to take this opportunity to give the provisions their due.

Prior to the SECURE Act, beneficiaries could "stretch" distributions out over their remaining life expectancy, as long as they took an annual minimum distribution. The new rules substantially alter the playing field, requiring beneficiaries to withdraw the inherited funds at a much faster rate. Specifically, inherited retirement accounts must be fully distributed to the beneficiaries by the end of the 10th year following the account owner's death, with limited exceptions for spouses, minor or disabled dependents and beneficiaries not

more than 10 years younger than the account owner. One of the more common beneficiary designations is to name a Trust as the receiving entity. You may choose to name a Trust as your beneficiary for a number of reasons, including protecting the funds from creditors, divorce, a financially unreliable heir and/or bankruptcy. These reasons remain valid, but the new rules surrounding Trust beneficiaries create a handful of potential pitfalls depending on the specific language used.

The rules are complex, and estate planning attorneys have been working diligently to review the standard language used in documents to avoid these unintended consequences. ***If you have named a Trust as your beneficiary, we strongly encourage you to speak with your estate planning professional to confirm that your document is compatible with the SECURE Act and will still accomplish your wishes.***

Even in the absence of a major piece of new legislation, it is good practice to review your beneficiary designations on a regular basis. If you have any questions about your current beneficiary designations on your Buttonwood accounts and/or would like to make changes to your designations, please contact us and we'll be happy to review/update your account(s).

ONLINE ACCESS FOR YOUR COMBINED ACCOUNTS

For years we've heard from our clients that the biggest challenge in looking at their finances is being able to see the full picture. Most of us have checking accounts, savings accounts, 401ks, IRAs, Roths, 529s at different institutions. Seeing it all often involves logging into multiple websites, making your own tracking system or just waiting until the next time you meet with Greg, Jodie or Chris.

- Combine all of your financial accounts into one place. No longer log into multiple websites to view your accounts!
- Choose to share your outside accounts with your financial advisor. Not only will you be able to see your 401k account, we can too.
- Access your own document "vault". A virtual file cabinet where you can store all of your most valuable documents, including copies of your will, trust, deeds and power of attorney. Your advisor can also share documents directly with you through this secure link.

If you would like to test out this program and see if it's right for you, please contact Andrea at andrea@btnwd.com to get started.

Work in the Time of Covid

Buttonwood Partners Office Update

Daily Schedules

When we transitioned to work-from-home back in March, we all thought we'd be back to the usual routine by the end of April – May at the absolute latest! Six months in and a few schedule variations later, we've finally found the hybrid approach that appears to work best. Now that we've settled into the "current normal" – and that it looks likely to remain in place for at least the near future – we wanted to share where you can find each of us on a daily basis.



Our newest coworker, Peach! Here she is keeping an eye on Katie's reports.

- Greg—Work from home on Monday and Friday; in office Tuesday, Wednesday and Thursday.
- Jodie—Work from home on Tuesday and Thursday; in office Monday, Wednesday and Friday.
- Linda—Work from home daily 8 am—12 pm and all day Thursday; in office Monday, Tuesday, Wednesday, and Friday 12 pm—4:30 pm.
- Andrea—Work from home Monday, Wednesday and Friday; in office Tuesday and Thursday.
- Katie—Work from home Monday, Thursday and Friday; in office Tuesday and Thursday.

We find that this schedule is allowing us to interact with each other and our clients most efficiently while also limiting the amount of people in our office on a daily basis.

We will keep you informed as our daily schedules change, either due to the ability to increase our in-office presence or need to limit exposures and work from home. Thank you for your understanding!

Appointments

The bright side of COVID is that we've learned some new tricks when it comes to discussing your portfolios. We are offering in person appointments here in the office. We do require masks and we do our best to be socially distant. We also clean like crazy before you come in and after you leave to make sure that our office is a safe environment. If you are not comfortable coming inside our office, we are also able to have outdoor appointments for as long as the weather allows us.

For those of you who live far away or aren't ready to meet in person, we do offer Zoom or Skype calls. We're happy to meet face to face remotely.

After the individual details, add on a sentence to the end of next paragraph. "When working from home we have the usual access to e-mail and our direct phone lines are being forwarded, so you should barely notice the difference! However, if you leave a voicemail message the caller ID on the return call will likely show our cell phone number. If you're expecting a call back from one of us, take a chance on that "unknown number" and then add us to your contact list!

If you would like a large print or electronic version of this newsletter, please contact Andrea at andrea@btnwd.com or 608-827-6411

30 Years Later

The Buttonwood Partners Origin Story

By Chris Bugg

In the midst of everything 2020, Buttonwood Partners quietly turned 30 back on July 1st. As the “elder statesman” of the team, I was nominated as the official historian and asked to share my version of our origin story. Andrea asked for “something brief,” but there is a lot of good stuff to share after 30 years! I’ll do my best to stick to the highlights...

When I started at the Milwaukee Company in 1983, 2 of the newest brokers in the Madison office were Al Jacobsen and Phil Dybdahl, who had both recently moved over from E.F. Hutton. As Hutton dug itself into deeper and deeper trouble (look at Wikipedia, it’s fascinating!), Bob Anderson and Jerry Gunnelson also left Hutton to join the firm. Then came Monday, October 19, 1987, perhaps better known as “Black Monday,” which caused The Milwaukee Company to have money troubles of its own. Within a year (1988), we arranged to be purchased by Dain Bosworth of Minneapolis, which had a “similar culture” to ours. They flew us to the Twin Cities, introduced us to the major players, and served us coffee and cookies at each meeting.

I was very excited. “Resources!” I said to the older guys. “No,” said Jerry Gunnelson. “Not resources, Vice Presidents. We’ve seen all this at Hutton.” I don’t think the merger had been completed before “The Norwegians” – Anderson, Gunnelson, Jacobsen and Dybdahl – had begun plans to start their own firm. On Sunday, July 1, 1990 those 4, along with Bruce Krueger, a colleague they had all worked with at Hutton, formed Buttonwood Partners. They adopted the name from The Buttonwood Agreement, signed under the Buttonwood Tree at the corner of Wall Street and Broad Street just after the Revolutionary War. (Full history on page 9.) From the get-go the founders recognized the importance of a strong team and recruited another Hutton employee to join them - Shelby Mulcahy. Today, she and Bruce are the only 2 “original founders” that remain active with the firm. Bruce was the youngster in the group, but the Norwegians were all about 50 when they started the

journey. By 1996 they realized that if something happened to any one of them, they might need help paying the rent. So Al contacted me. I was (and remain to this day) terribly flattered. Al said they wanted someone who would pay his bills, would stay out of trouble, and was easy to get along with. Sounds like me. And, through an incredible stroke of luck, I had recently hired a 20-year-old UW sophomore from the Green Bay area named Greg. He and I (along with Don and Mary) walked in the door and were greeted by Shelby and the others on Monday, July 7, 1997.

Over time, the original founders have moved on, leaving Bruce and me as the old guys. Bruce heads his own team, while I couldn’t be prouder of my group. Greg and Jodie keep an eye on the day-to-day with an incredible crew taking care of the behind the scenes action. As hard as it is to start stepping away, knowing how capable the team is makes it easier.

We learned our history lessons well and are vigilant not to repeat the mistakes of Hutton and The Milwaukee Company. We’ve enjoyed periods of smooth seas as well as our share of rough waters, but have successfully navigated through 2000-02, 2008-09 and now 2020. And I fully expect Greg to be the MC of a BIG party in the parking lot on our 50th Anniversary. I sure hope to be there - and to see many of you as well. Thank you for sharing the journey!



The Buttonwood Agreement

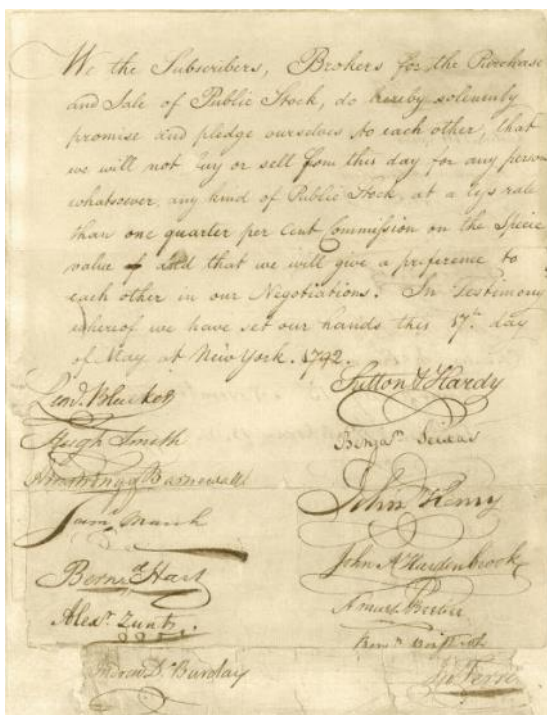
The Start of the American Stock Market

In 1790, the nation's first Secretary of the Treasury, Alexander Hamilton, issued \$80 million in government war bonds to help pay the costs of the Revolutionary War. Shares were sold to the public at \$100 each. The first stock was introduced a few years later when Hamilton established the first Bank of the United States. Other banks and insurance company stocks were soon added to the available list of securities. Trading of this government stock, as well as stock in banks and insurance companies, was carried on in various coffeehouses, auction rooms and offices within the city of New York.



In March 1792, twenty-four of New York's leading merchants met secretly at Corre's Hotel to discuss ways to bring order to the securities business. Two months later, on May 17, 1792, these men signed a document called the Buttonwood Agreement, named after their traditional meeting place under a buttonwood tree. The agreement stated that they would only trade securities among themselves, that they would adhere to set commissions and that they would not participate in auctions.

By 1793 there were too many brokers involved to meet under a tree. So they took space in an elaborate structure on the corner of Wall and Water streets, called the Tontine Coffee House. Their new venture was to become the nation's principal securities marketplace - the New York Stock Exchange, which today is only a few blocks from where the old buttonwood tree once grew.



Below is the original text of the agreement:

We the Subscribers, Brokers for the Purchase and Sale of the Public Stock, do hereby solemnly promise and pledge ourselves to each other, that we will not buy or sell from this day for any person whatsoever, any kind of Public Stock, at a less rate than one quarter per cent Commission on the Specie value and that we will give preference to each other in our Negotiations. In Testimony whereof we have set our hands this 17th day of May at New York, 1792

Greg Rademacher, CFP®, CFA
President
(608) 827 6414
greg@btnwd.com

Jodie McLellan
Partner
(608) 827 6413
jodie@btnwd.com

Chris Bugg
Partner
(608) 827 6412
cbugg@btnwd.com

Linda Kwiatkowski
Administrative Coordinator
(608) 827 6415
linda@btnwd.com

Katie Kalkofen
Assistant Account Manager
(608) 827 6405
katie@btnwd.com

Whitney Cook
Administrative Assistant
(608) 827 6408
whitney@btnwd.com

Andrea Widner
Dir. Of Strategic Initiatives
(608) 827 6411
andrea@btnwd.com

buttonwoodpartnersinc.com

Buttonwood Partners, Inc.

701 Deming Way, Suite 100
Madison, WI 53717

Phone: 608-827-6400
Fax: 608-827-6407
E-mail: andrea@btnwd.com



“No one is so brave that he is not disturbed by the unexpected.”

- Julius Caesar