

5 Financial Opportunities Right Now

That Anyone Can Take
Advantage of During Covid-19.





*As California and other states decide how to reopen amidst the Coronavirus pandemic, investors are no doubt experiencing fear and anxiety. With all of the changes that are happening on a seemingly daily basis, is there anything that investors - or really anyone - can take advantage of right now? Rob Chatterton, Certified Financial Planner™ at Chatterton & Associates, offers his **top five financial opportunities** that may apply to you or someone you know.*

1 Sell stocks when they are high and buy when they are low.

Price-To-Earnings Ratios:

One area we can look at is forward price-to-earnings ratios. The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. In general, the higher the price-to-earnings, the more expensive the stock. Currently, we have a forward price-to-earnings ratio of 22.01*, which is the highest number we've seen in about 25 years - the average P/E ratio since 1995 has been around 16.33**.

The problem with the current ratio is that companies are having difficulties forecasting their earnings. This makes sense because there is a lot of uncertainty, even from state-to-state, as to when companies will be back in business. Because of this, I feel stocks are currently overvalued. Therefore, I have started selling stocks in my personal investment portfolio, and helping clients consider what is right for them.

*As of 6/15/20 sourced from <https://www.multpl.com/shiller-pe/table/by-year>

**Number is derived by taking P/E Ratio average by year from 1995 - current YTD from the following data:
<https://www.multpl.com/shiller-pe/table/by-year>



If you would like to sell stocks from your investment portfolio(s), contact our office and let's discuss your unique goals and portfolio.



Adjust your allocation. For example, if **60%** of your portfolio is in stocks, your financial advisor can help you allocate some of those funds to change to **40%** stocks instead.

- Robert D. Chatterton, CFP®, ChFC®



S&P 500 Index: Forward P/E ratio:



Source: Factset, Robert Shiller, Standard & Poor's, Thomas Reuters, J.P. Morgan Asset Management.

Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since May 1995, and FactSet for May 7, 2020. Current next 12-months consensus earnings estimates are \$141. Average P/E and standard deviations are calculated using the 25 years of IBES history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure.

Guide to the Markets – U.S. Data are as of May 7, 2020.

2

Take advantage of suspended RMDs.

If you are retired, you are likely familiar with required mandatory withdrawals. With all that's occurring now, you might anticipate that your income will be lower this year and you aren't looking forward to taking an RMD on top of it. But there's good news: With the passage of the new CARES Act, RMDs have been suspended for 2020.

The best time to convert to a Roth is when the markets are low, and there has been speculation that taxes may go up in the future to help offset the cost of taxpayers' stimulus checks. Converting to a Roth means that you're paying taxes now - so instead of a tax deferral, your investment will grow tax-free.



Take the money that would have been withdrawn and to instead convert it to a Roth IRA.

- Robert D. Chatterton, CFP®, ChFC®

Tax Break Now



- Traditional IRA -

You get your tax break up front and pay no taxes on the money you put in until you withdraw it.

Tax Break Later



- Roth IRA -

The money you deposit has already been taxed. You pay no taxes when you make withdrawals after age 59½.

3

Implement a tax loss selling.

A tax-loss sale occurs when you sell an investment that lost money and buy something similar. If you have an account that is jointly owned and/or a trust account that lost money, you would need to realize those losses to reduce taxes in the future. This strategy applies to non-retirement accounts only, but it is a great time to go over those accounts with your financial advisor and see if there is any opportunity for you.

Sell Now = Realized gain or loss

Hold now = No realized gain or loss

4

Make sure you fully benefit from the Paycheck Protection Program.

If you've received funding from the Paycheck Protection Program (PPP), you've likely turned your attention away from funding eligibility and on to loan forgiveness. You'll want to take extra precautions and steps to make sure you benefit fully from the program.

Things to consider:



1. Spend it on qualified expenses.

Forgiveness may be reduced if you don't spend enough of the loan proceeds (at least 60%) on payroll costs. Remaining loan proceeds can only be spent on other expenses eligible for forgiveness, such as covered rent, mortgage payments, utilities, and interest. The Paycheck Protection Program Flexibility Act (PPPFA) that was passed in early June extends the set time period for using the loan proceeds from 8 weeks to 24 weeks.



2. Maintain staffing levels and salaries.

Forgiveness can also be reduced if you don't have at least the same number of full-time equivalent employees by the deadline as you did during the base period, or if an employee's wages or salary is less than (75% of) the previous quarter. PPPFA extends the previous June 30 deadline to rehire employees to December 31, 2020. Additional exceptions to meeting headcount were added with PPPFA and any exceptions would need to be well substantiated, so keep an impeccable paper trail.



3. Appoint a designated subject matter expert or legal expert.

PPP law was passed very quickly, and new information comes almost daily. As we have already seen, additional language was passed to address flaws and concerns. A conscientious owner can help increase your chances of not missing an important consideration or change.



4. Keep your loan proceeds separate.

PPP loans are subject to an audit by the Small Business Administration (SBA). In the event of an audit, it's a good idea to keep the loan proceeds in a separate account. This way, it's easy to show where the money went and you (or others) won't have to spend a lot of time tracking it down.



5. Check with your payroll company.

Some payroll companies offer PPP-compliant reporting, which could save you a lot of time and hassle in having to configure your own compliance. This could free up your time and offer you more peace of mind.



6. Stay in touch with your lender.

Make sure you're in communication with your lender and responding to their requests for information. If you haven't heard from them, reach out to touch base on their process.



7. Plan for your future.

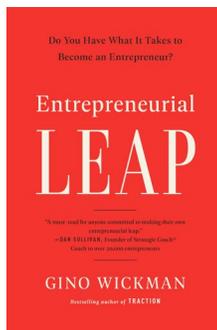
With all this focus on your business, now is the time to think about your business's future. Follow the PPP rules and don't make drastic changes that could jeopardize your loan's forgiveness but use this time to envision an even better tomorrow.

Mentoring Opportunity with Your Family.

Use this time as a family to learn more about finances and improve your financial IQs together. Play board games - Rob recommends Monopoly or [CASHFLOW](#) to learn the basics of investing.

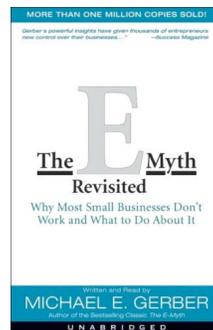
You may also want to look at the entrepreneurial side of things - maybe a family member has just graduated college but hasn't found a job yet, or perhaps you're ready for a career change.

Rob recommends taking inspiration and knowledge from these books:

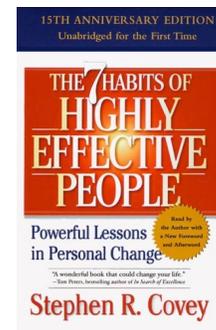


Entrepreneurial Leap
by Gino Wickman

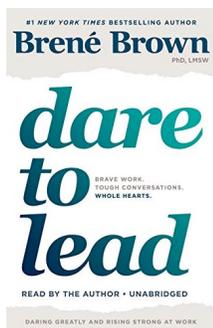
(good for teens who are interested in entrepreneurship)



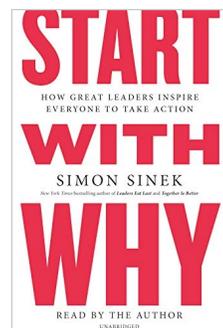
The E Myth Revisited
by Michael E. Gerber



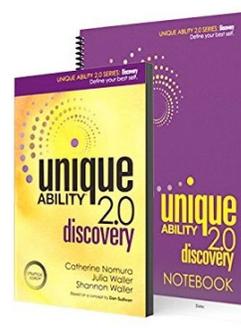
The 7 Habits of Highly Effective People
by Stephen Covey



Dare to Lead
by Brené Brown

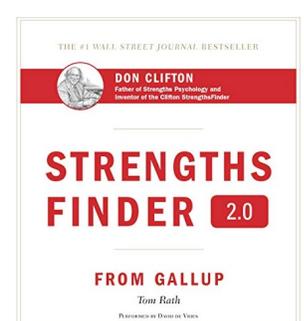


Start with Why
by Simon Sinek



Unique Ability 2.0
by Catherine Nomura
and Julia Waller

(buy the notebook as well)



Strengths Finder 2.0
by Tom Rath



Covid-19 Stimulus Bill Takeaways.

There are three bills enacted to help mitigate the economic impact of the Coronavirus pandemic: The Families First Coronavirus Response Act; The Coronavirus Preparedness and Response Supplemental Appropriations Act; and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Here are six key takeaways from these bills we feel may be of primary importance to our clients:



New Income Tax Filing Dates

The deadline for filing 2019 income tax returns is now July 15, 2020. The deadline for making 2019 IRA and HSA contributions has thus also moved to July 15, 2020. Deadlines for contributions to workplace savings plans have not changed. Please check with your state for any changes to state filing deadlines.



Required Minimum Distributions

The required minimum distributions (RMDs) for 2020 on some retirement accounts has been waived. For more specifics on your account, please call us.



Direct Payments

The CARES Act included a provision that will send \$1,200 to most Americans with income under \$75,000 and \$2,400 for joint filers under \$150,000. This amount will reduce for people with higher incomes and become zero at income levels of \$99,000 for individuals and \$198,000 for couples. You can also receive up to \$500 per dependent child (\$3,400 maximum).



10% Early Withdrawal Penalty Waived for Workplace Retirement Plans

Those with workplace retirement plans and individual retirement accounts (IRAs) can take aggregate distributions of up to \$100,000 for COVID-19-related purposes without incurring the 10% early withdrawal penalty. Those who chose to take an early distribution still have to pay federal income tax on the distribution but can spread it over a 3-year period or they have the option to repay the distribution within a 3-year period back to an eligible retirement plan.



Student Loan Aid

Provisions have been made to help those with student loans. These provisions include suspended payments of federal student loans for six months and waiving interest on the loans for six months.



Small Business Relief

\$350 billion has been allocated to help small businesses through the crisis and keep their workers employed. Known as the Paycheck Protection Program, federally guaranteed loans will help many small businesses during this time of crisis.

Source:

- [1. https://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers](https://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers)
- [2. https://investornews.vanguard/what-the-cares-act-means-for-you/#:~:text=The%20CARES%20Act%20includes%20a,RMD%20before%20January%201%2C%202020.](https://investornews.vanguard/what-the-cares-act-means-for-you/#:~:text=The%20CARES%20Act%20includes%20a,RMD%20before%20January%201%2C%202020.)
- [3. https://home.treasury.gov/policy-issues/cares/assistance-for-american-workers-and-families#:~:text=The%20CARES%20Act%20provides%20for,for%20a%20family%20of%20four.](https://home.treasury.gov/policy-issues/cares/assistance-for-american-workers-and-families#:~:text=The%20CARES%20Act%20provides%20for,for%20a%20family%20of%20four.)
- [4. https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions](https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions)
- [5. https://www.studentloanborrowerassistance.org/what-the-cares-act-means-for-repayment-of-federal-student-loans/](https://www.studentloanborrowerassistance.org/what-the-cares-act-means-for-repayment-of-federal-student-loans/)
- [6. https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program](https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program)



Preserve your financial wealth.

In these uncertain times, our first priority is ensuring that you take care of yourself and maintain your health and well-being.

Could it get worse, or will it get better? How long will this last?

We know these are many investors primary questions. A large part of the answers will depend on when the growth rate of COVID-19 cases stabilizes and how quickly a cure can be developed and distributed. It will also depend on whether or not fiscal and monetary emergency measures are enough to help ease the economic crisis. While we are not clairvoyant, we are making our best efforts to stay aware of changes that could affect your personal situation. Our objective is to try to offer the most educated guidance to help keep you on track with your financial goals. We realize that this is a very emotionally straining time and we want to make sure you know we are here for you.



Schedule a Free Consultation. We make it easy and no-pressure.

If you have any questions, please don't hesitate to reach out and let us know how we can support you. Our team is always available to speak over the phone or through video conferencing.

Call us at **714-572-2050** or visit us at **www.chattertoninc.com** to schedule a complimentary financial review.



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